

AUDITING PROCEDURES REPORT

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Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Huntington Woods, Michigan	County Oakland
Audit Date June 30, 2005	Opinion Date October 31, 2005	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ yes ☐ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Doeren Mayhew			
Street Address 755 West Big Beaver Road, Suite 2300	City Troy	State MI	ZIP 48084
Accountant Signature 			

Todd R. Fox

**Comprehensive Annual
Financial Report**

City of Huntington Woods, Michigan

**Prepared by the
Finance Department**

June 30, 2005

City Commission

Ronald F. Gillham, Mayor
Jeffrey Jenks, Mayor Pro Tem
Phyllis Kramer, Commissioner
Robert Paul, Commissioner
Mary White, Commissioner

Introductory Section

City of Huntington Woods, Michigan

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A D M I N I S T R A T I V E O F F I C E S

Mayor **Ronald F. Gillham**
Mayor Pro-Tem **Jeffrey Jenks**
City Manager **Alex R. Allie**

Commissioner **Phyllis Kramer**
Commissioner **Robert Paul**
Commissioner **Mary White**

Wednesday, November 21, 2005

Honorable Mayor and City Commission
City of Huntington Woods, MI

Preface

The City of Huntington Woods Finance department is pleased to present to you the first annual (CAFR) Comprehensive Annual Financial Report. This report represents a clear and comprehensive view of the financial health and strength of the City on June 30, 2005. The City Charter as well as the State Statue mandates that the City prepare a report outlining the financial position of the City and that the report be audited by an independent licensed firm of certified public accountants. In doing so the report is prepared according to the regulations as set forth by the Governmental Accounting Standards Board and the State of Michigan Department of Treasury.

All the schedules, data, text and descriptions contained herein are solely the responsibility of the City of Huntington Woods Finance Officials and Management. To the greatest extent possible the City must rely upon its policies and procedures that are in place to define roles and responsibilities of its financial management staff. This is critical to maintain and exercise adequate internal control over the entire finance department. To the best of our knowledge and belief this data is accurate in all material respects and is reported in a manner that is fair and consistent. The report includes all disclosures and charts required to enable the reader to understand the City financial structure from a historical, operating and administrative perspective.

The advent of Statement No. 34 in 1999 by the (GASB) Governmental Accounting Standards Board brought significant changes to the format and contents of financial reporting for public sector units of government. These statements were developed to assist in comparing units of government as well as promoting uniformity, and fiscal accountability of each. Prior to this pronouncement, units of government were only required to report financial information on a fund level basis. Unfortunately, this process highlighted the short term financial position of the unit of government and did not provide a platform by which the long term financial position could be measured. The full accrual government-wide statements as presented under GASB 34 allows the reader to assess the financial health of a unit of government in its entirety, with the emphasis on program costs and long term operational objectives.

Report Organization

The Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

Introductory Section – This section introduces the reader to the City of Huntington Woods and to this report. Included is this letter of transmittal with continuing disclosure reporting enhancements, the City's organizational chart, a list of principal officials and a fund organization chart.

Financial Section – The independent auditor's report, management's discussion and analysis letter, government-wide financial statements, combined fund financial statements, required supplemental information and the notes to the financial statements are included here. These are the City's basic financial statements and provide an overview for readers who require less detailed information than is contained in the balance of this report.

Statistical Section – Although this section contains substantial financial data, these schedules differ from financial statements in that they present some non-accounting data, covering more than the current year and are designed to reflect social and economic data, financial trends and the fiscal capabilities of the City.

Audit Requirement

The City Charter IX § 7, and State Statute require an annual audit of financial records and transactions of public sector units of government to be completed by independent certified public accountants at the close of each fiscal year. Huntington Woods is in full compliance with this requirement and has recently received an "unqualified opinion" from Doeren Mayhew Certified Public Accountants. This exemplary status lets the reader know that the examination of the financial records of the City disclosed no conditions that cause the auditors to believe that the financial statements are not fairly stated in all material respects.

Reporting Entity and Services Provided

The City of Huntington Woods has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board. The City of Huntington Woods (City) is defined as; all funds, agencies, commissions, boards and authorities that are controlled and managed by the Elected Mayor and City Commission. As of this writing the City does not have any component units of government.

The City of Huntington Woods, a municipal corporation, incorporated in 1927 is a full service urban municipality operating in Southeast Oakland County. This report covers the operations of the City as relates to all departments and municipal services in its governmental fund structure, including; a full range of public safety services; sanitation services; recycling services; highway, streets and sidewalks maintenance/ROW Rights-of-way; Planning, Zoning and building code enforcement services; Recreational Services and cultural events; and library. Water and Sewer services are provided to the City under the Enterprise fund utilizing user fees as set by the City Commission.

Fund Types and Purposes

GENERAL

PURPOSE - The General Fund is the primary operating fund in the local unit of Government and is used to account for all revenues and expenditures and activities not specifically or statutorily provided for in other funds.

RECREATION

PURPOSE - The Recreation fund accounts for the operation and maintenance of City parks as well as the operation of the recreation department and related programs.

SANITATION

PURPOSE - The Sanitation fund accounts for the operation of the solid waste collection disposal and recycling functions of the city.

MAJOR AND LOCAL ROAD

PURPOSE - The Major and Local Road Funds are used (1) to receive all street funds paid to cities and villages by the state, (2) to account for construction, maintenance, traffic services and snow and ice control on all streets classified as Local Streets within the local unit of government (this includes construction done from money raised by special assessing property owners for street improvements), (3) to account for revenue from special assessment taxes levied for street purposes as provided by Act 51 of the Public Acts of 1951, as amended, (4) to account for money received from General Fund contributions.

G.O. REC AND ROAD DEBT

PURPOSE - These funds are used to record the payment of interest and principal on long term general obligation debt other than that payable from special assessments and debt issued for and serviced primarily by an Enterprise or Construction Fund.

CAPITAL PLANNING

PURPOSE - This fund is used to account for revenue set aside for statutory public improvements of a major nature.

WATER AND SEWER

PURPOSE - This fund is used to record the operations of the combined water and sewer system, and is considered an enterprise fund.

EQUIPMENT

POST RETIREMENT

HEALTH CARE BENEFIT

PURPOSE - These funds are used to support the activities of other funds, such as the equipment fund which is used as a motor pool to record the rental, and the subsequent depreciation of equipment, as well as the recording the cost of retiree health care.

Accounting System and Budgetary Controls

Due to the nature of the operations and legal requirements, the accounting of transactions within the reporting entity is organized on a "fund basis." This accounting approach assures compliance with statutory requirements and enables adequate separations between distinct governmental functions. Each fund is a distinct, self balancing accounting entity.

The budget is to be presented to the City Commission each May as required by City Charter. This document has been prepared in compliance with the regulations set forth under the Uniform Budget Act, State of Michigan P.A. 621 of 1978. The act requires that the City of Huntington Woods adopt a balanced categorical budget where appropriations do not exceed budget revenue. The appropriation/rate resolution as adopted by the City Commission gives the City Manager and/or the Finance Director the authority to create new funds and activities in order to maintain adequate financial control, and to make changes between budgetary categories only. However, all changes of any type must be adopted by the City Commission, and any adjustments that change the total amount appropriated within a fund in its entirety can only be made by prior consent of the City Commission.

Historical Overview

The City of Huntington Woods is almost exclusively residential. In fact, 98.2% of the State Equalized Value (SEV) of the City is comprised of residential properties. The lack of diversity in its tax base has left the City with no major industrial or commercial property to share the tax burden of providing the full range of city services. Structural financial problems began to surface approximately fifty years ago. Despite a relatively high millage rate, the City was unable to provide for all capital and service needs from its annual budget. The City founders had left a significant amount of undeveloped public property surrounding the perimeter of the City. It truly was intended to be the "City in the Woods." The City, however, began selling the undeveloped property shortly after World War II, to finance needed facilities and satisfy outstanding debt.

In the 1960's and the early part of the 1970's, the State and Federal Government began to play a role in municipal operations by providing revenues to equalize tax base inequities. The State Revenue Sharing program was approved by the State of Michigan, both constitutionally, in 1964, and statutorily, in 1967, earmarking a share of State taxes for cities. In 1974, the U.S. Congress enacted Federal Revenue Sharing, returning a portion of the income taxes paid by Huntington Woods' residents directly to the City. From 1970 through 1975, despite receiving additional dollars from the state and federal governments, the City experienced operational deficits and was forced to borrow funds on three occasions to meet annual budget obligations. The City population, which was the basis for calculating revenue received from the state and federal governments, peaked in the 1960 census. The City population has been declining ever since. Despite the fact that the City was fully developed by 1970, thereby resulting in a stagnant tax base, annual increases in State Equalized Value (SEV) provided sufficient annual revenue growth. In 1978, though, the Headlee Amendment to the Michigan Constitution began to limit the annual increase in property taxes received by the City to the rate of inflation or Consumer Price Index (CPI). Shortly thereafter, City revenue was further reduced by a significant population loss identified in the 1980 census. The City had no cash reserves and experienced operating deficits from 1980 to 1983. In 1984, the City modified its fiscal year by changing the date of tax collections. This led to a one-time infusion of approximately one million dollars (\$1,000,000) and took the City from a deficit to a surplus position based upon the six-month fiscal year and accelerated tax collections.

In 1986, the federal government, facing its own deficits, eliminated Federal Revenue Sharing. From 1970 to 1990, the City experienced a budget surplus in only seven fiscal years. An analysis of overall financial health of the City, completed in 1990, indicated that the City faced the following problems:

- There were no capital reserves to replace an aging infrastructure including water mains, storm and sanitary sewers and roads, most of which were installed in the 1920's.
- Employee post retirement benefits were unfunded or under-funded.
- A loss of 7½ % of the City's population in the 1990 Census resulted in an additional loss of state shared revenue.
- Deficits existed in the City's three major operating funds.
- A crisis in sanitation costs due to projections that Oakland County landfills would fill by 2005 produced a dramatic increase in trash disposal costs.

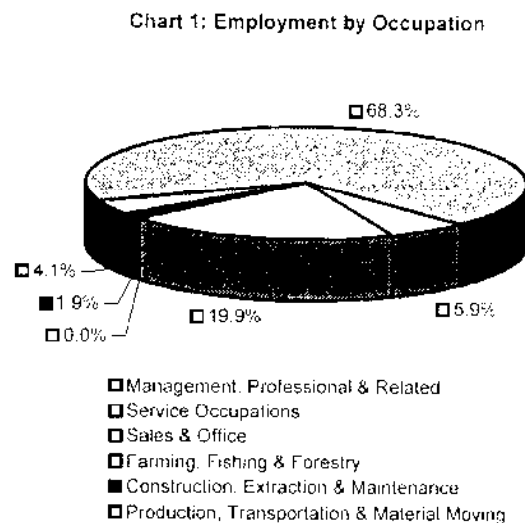
In 1991, the City adopted a fiscal rebuilding plan. The plan included a voter- approved 1.85 millage increase. The 1.85 request to voters was a compromise by the City Commission in response to the City Manager's recommendation of a 3.5 mil increase. The City Manager believed a higher increase was necessary to operate the City with the same level of services and meet long-term unfunded obligations. The compromise was meant to provide a stable revenue source for city operations, yet required additional attempts to reduce operating costs. One such attempt was a Public Safety Consolidation Study completed in cooperation with the City of Berkley in 1994. While the consolidation of the two cities' police and fire departments would have saved in excess of one million dollars (\$1,000,000) per year, the consolidation did not happen because neither city found it politically acceptable.

Also, in 1994, the state government froze property tax assessments to allow an opportunity to resolve complex school financing issues. Inequities in school financing had created extraordinary gaps in per-pupil spending between school districts with wealthy tax bases and districts with low per-pupil tax bases. That same year, Michigan voters approved Proposal A, which cut school property taxes and shifted the burden to the sales tax.

Proposal A, however, also implemented changes in the property tax system including reduced annual tax revenue limits for cities. Proposal A requires that the taxable value of a home is annually capped at the rate of inflation, Consumer Price Index (CPI) or 5%, whichever is less. When a home changes ownership, the taxable value cap is removed and the value used for property tax purposes becomes the State Equalized Value (SEV), which is 50% of true cash value. There is a popular misconception that the ownership change and resulting higher property taxes provide additional revenue for the City. The City receives absolutely no increased revenue from the property's transfer of ownership. This is because state law limits aggregate property tax revenue from the existing tax base to the CPI. The City is required to annually reduce the millage to certify that property tax collections do not exceed inflation. This complex system becomes more problematic if the rate of inflation exceeds 5%.

In 1996, the state legislature modified the formula used to distribute state revenue sharing. The legislature believed that the City of Detroit was receiving more than its fair share of state revenue under the formula. Because political power had shifted from urbanized southeastern Michigan to western Michigan and out-state areas, the Senate and House of Representatives enacted changes in revenue sharing distribution. These changes favor rural areas. The new revenue sharing formula reduced appropriations to older, fully developed cities with high tax rates and redistributed the funds to growing and rural townships of the State with generally low local tax efforts. The new revenue sharing formula sunsets in 2007.

The new formula is being phased in over a ten-year period and has adversely impacted the City by reducing the amount of revenues received from the State. Further compounding state shared revenue losses, is the fact that, in the 2000 census, the City lost an additional 4½% of its population. Also, in 2001, 2002 and 2003, the State, in addressing the implications of a slow economy and increasing state deficits, reduced the amount of money allocated to the state revenue sharing distribution formula. The combination of a slow economy, a new formula for distribution, and fewer dollars allocated to the formula, compounded by population losses, has reduced state revenue sharing payments to Huntington Woods for the past three fiscal years. Further reductions are anticipated in light of the State's current budget crisis.



Source: Data, U.S. Census Bureau 2000
 *Population 25 years and over

In the 1990's, the City met the financial goals and objectives it adopted in 1991. It began rebuilding an aging infrastructure, adequately funding post retirement reserves, and moving from a general fund deficit in 1990 to cash reserves of approximately \$1.3 million dollars in 2000. The cash reserves have allowed the City to weather a short-term financial downfall. A two- to three-year recession, reducing city revenues, could be eased by the cash reserves or "rainy day fund." In light of current trends and the downturn in the economy, these revenues are insufficient to sustain the City. The numerous changes to state law included in Proposal A, when compounded with the changes in revenue sharing, have limited and reduced the City's revenues well into the future. The City's revenue limits and reductions are now structural in nature, and not short term.

In conclusion, both Federal and State policies of the past two decades have required cities to become increasingly dependent on local property taxes, while the State has limited property taxes to the rate of inflation. Huntington Woods, a small community with a residential tax base, will be unable to sustain the current level of municipal spending based on the current revenue structure. Changes are mandatory.

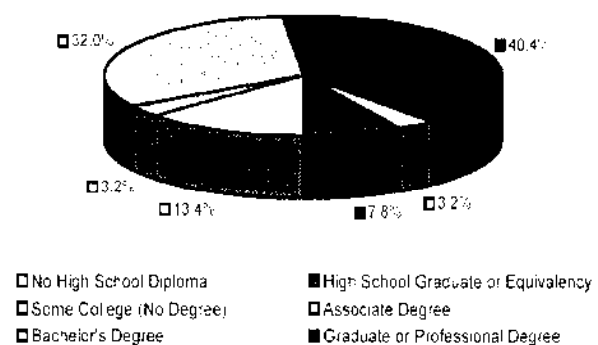
Demographics and Local Government Structure

The City of Huntington Woods was incorporated in 1927 as a full service municipality located in the S.E. Corner of Oakland County, Michigan. The city is approximately 1.5 square miles in with a 2000 census population of 6151. The City has no industrial or light industrial base whatsoever. Oakland County Assessing department placed the City's (SEV) State Equalized Value in 2004 at 289,500,000. The City Charter as adopted causes the City to operate under a Council-Manager form of government. The City Commission is comprised of a 5 members whom are elected at large for two and three year staggered terms. The City Commission is responsible for the appointment of the City Manager, Attorney and Chief of Police, and for approving of the appointment of the City Treasurer and City Clerk. The Commission is also responsible for enacting a set of ordinances which govern the operation of the city, as well as additional resolutions and regulations as allowed by an incorporated municipality under the home rule cities P.A 279 of 1909. The City Manager is appointed by the City Commission and works at their pleasure, the Manager may hire department personnel at his discretion in order for effective operation of all city departments.

The City of Huntington Woods is entirely developed. Currently, less than ½ of 1% of the urban lots in Huntington Woods remains undeveloped. The vast majority of the housing stock in Huntington Woods is comprised of single family residential properties. The City has for the last two decades been in a no growth condition, with the exception of the current propensity for the redevelopment of residential single family structures.

The City of Huntington Woods, Michigan, like other municipalities, has its own unique demographics, culture and municipal service mix. The City has remained, for several decades, an extremely desirable residential community within the greater Detroit metropolitan area. As seen in Chart 1 below, the City boasts a relatively high population of residents employed in management, professional and related occupations. Moreover, the City's median household income of \$92,130 is among the highest in Oakland County.

Chart 2: Educational Attainment

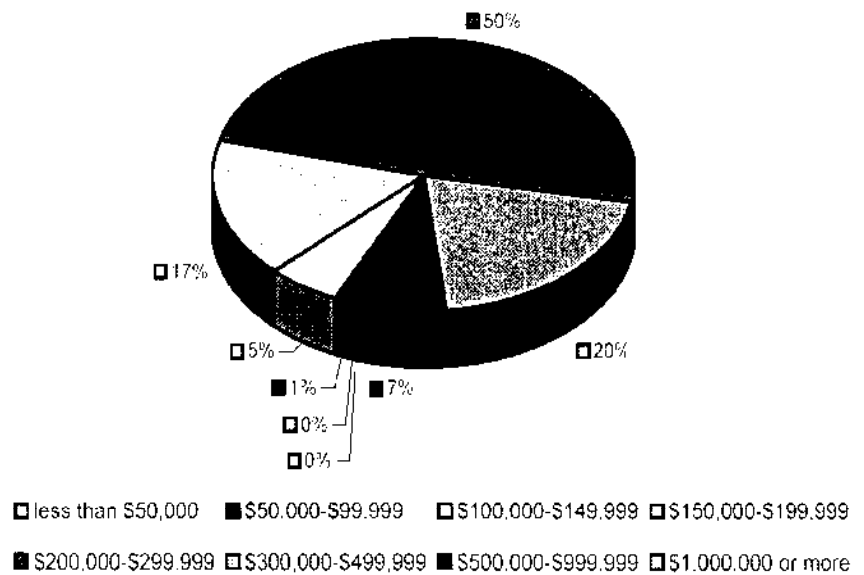


Source: Data U.S. Census Bureau 2000
*Population 25 years and over.

Other Oakland County communities also have populations that are generally affluent and educated, but Huntington Woods differs from these in some important respects. The City itself is not typical of the new, burgeoning suburban communities that comprise much of Oakland County. In contrast, much of the east side of the City was developed in the 1920s, and the west side in the 1940s. The housing stock ranges from large Tudor and brick colonial homes to smaller bungalows and ranches. Moreover, the City is physically structured as a "small town", as opposed to the sprawling, impersonal persona of many suburbs. Within this structure, the "small town" feel and related community amenities are readily apparent. Service levels are very high and include significant investment in amenities geared toward community-related cultural and activity-based services. Community involvement is also high with significant participation in committee work pertaining to municipal governance and policymaking. Essentially, a large number of residents embrace the City for the unique sense of community, and related values that have developed.

Not unexpectedly, service demand in Huntington Woods is extremely high. As later detailed in this report, residents enjoy a number of services that are unknown or infrequently provided in other communities. Other more common services are provided at a much higher level in Huntington Woods. Though it can't be quantified, it is highly likely that these services tend to make Huntington Woods more desirable to prospective property owners, thus providing a residual value to existing owners. As seen in Chart 3, property values are relatively high, and most listed properties sell within a fairly short time period.

Chart 3: Residential Value



Current Projects and Major Initiatives

1. The City of Huntington Woods resident passed a new millage in 2003, which called for an over-ride of the Headlee Amendment back to the original 20 mill limit. The over-ride proved to be not a moment too soon, as major reductions in State Shared Revenue as well as property taxes due to the impact of 1993 Proposal A served to diminish the City's revenue stream significantly. The City has taken major initiatives to implement the objectives of the Ad Hoc Operational and Financial Report. The goal was to reduce the reliance on unappropriated fund excess put aside during the 1990's. The chart below illustrates the reductions in fund equity that resulted in the millage initiative.

PROJECTED CITY DEFICITS - GENERAL FUND

FISCAL YEARS 2002-2007 (PRIOR TO THE MILLAGE OVER-RIDE VOTE)

Fiscal Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
REVENUES	\$ 4,715,398	\$ 4,885,792	\$ 4,967,353	\$ 5,057,868	\$ 5,146,788	\$ 5,236,850
EXPENDITURES	4,843,098	5,132,365	5,286,336	5,455,499	5,646,441	5,827,127
PROJECTED DEFICIT	(127,700)	(246,573)	(318,983)	(397,631)	(499,653)	(590,277)

The AD Hoc committee's recommendations (in shortened form) are as follows:

- Modify the existing Library policy related to the rental of library facilities. The Library currently offers room rentals to non-profit organizations only. The fees charged are nominal. Examples include baby showers, private receptions, etc. The rental fees should be increased to be competitive with other cities and private facilities. The fee structure should include a deposit for maintenance of the facility and offset expenses related to wear and tear.
- Reduce the current hours of operation by five hours per week, which, in turn, reduces expenses by \$6,000 per year. The actual hours to be eliminated should be determined by the Library Advisory Board. The subcommittee recommends that Sunday hours be maintained.
- Maintain the existing level of fees for items such as overdue books, computer paper, etc. The resulting increase from modifying these fees is nominal. The subcommittee believes that the fee structure is appropriate at this time, but should be reviewed by the Library Board on a periodic basis for potential modifications.
- Market the Huntington Woods Library to the City of Pleasant Ridge to regain the annual service contract currently held by the City of Royal Oak and set to expire in 2005.
- Enforce an annual \$40.00 service fee for non-resident households that participate in recreation programs. This fee was implemented in 1998 to equalize the tax burden borne by Huntington Woods residents for newly constructed facilities. The fee is charged to residents of the Royal Oak section of Huntington Woods in an amount equal to the debt paid by each resident household for the expansion of the Recreation Center and new swimming pool. This fee has been overlooked in recent years and has not been consistently charged.
- Extend Recreation Center hours of operation to accommodate late evening and weekend morning indoor sports leagues. The Recreation Center is currently receiving requests from potential outside users for the expanded hours. There is currently one adult evening recreation program comprised predominantly of nonresidents. This recommendation would expand such use and increase revenue. The additional expense for the increase in hours and additional wear and tear on the facility should be built into the fee structure. The potential net revenue from the expansion of hours is approximately \$12,000 per year.
- Reduce the early payment incentive for seasonal swim passes from 6 guest passes to 3. The City currently offers an incentive to early purchasers of a seasonal swim pass. Residents are granted 6 free guest swim passes if they purchase their swim passes before the end of May. Reducing the incentive to 3 free passes per season could generate up to \$7,000 in additional revenue.
- Sell "late-season" pool passes to non-residents living in the Berkley School District. The passes would allow additional revenue to be generated during a time when the utilization of the pool is typically low. The actual pricing, and decision to implement these passes, should be made by the Recreation Advisory Board. Its decision to implement should be determined on an annual basis depending on the volume of season passes sold to residents. The nonresident passes could generate annual pool revenue of \$12,000.
- Modify the existing recreation center room rental policy. The current policy excludes potential users because of limits on lead-time for room rental. The current policy does not allow room reservations beyond six (6) months in advance. The Subcommittee recommends that the Recreation Advisory Board revise the policy to at least one year to increase utilization of the facilities and generate income.
- Expand program offerings and set program user fees competitively. The Recreation Department is currently subsidized in part by the General Fund. User fees offset 70% of the recreation department's expenses (excluding debt); the remaining 30% is covered by the General Fund. While user fees cover a high percentage of the Recreation Department's expenses, the Subcommittee believes that the recreation department should maximize the revenue potential of the facilities and programs.

- The Committee does not recommend a policy requiring that all recreation classes and programs become self-sufficient from user fees. The availability of facilities and variety of offerings represent a value to taxpayers. Many recreation classes and programs do not break even upon introduction but later become self-sufficient. A general fund subsidy for the Recreation Department is acceptable and supported.
- The study produced no significant findings to improve the efficiency of current operations. Personnel levels cannot be reduced because the City must meet mandated fire response manpower minimums. The Committee concluded that the Department is well managed and offers a level of public safety exceeding that of neighboring communities.
- The Committee recommends that the Commission authorize the City Manager to pursue and annually update the feasibility of consolidation of the Department with a neighboring City if a consolidation or outsourcing agreement will reduce costs and maintain the current level of public safety services.
- The City should eliminate the U.S. Postal Service (U.S.P.S.) substation service at City Hall upon the retirement of the current Postmaster, unless the U.S.P.S. significantly increases the annual subsidy of \$17,000. Eliminating postal services (used equally by residents and non-residents) will produce a General Fund saving of \$46,773.
- The Committee accepts the recommendation of Rehmann Robson to re-allocate specific administrative costs from the General Fund to the Water/Sewer Fund. The shift will produce a General Fund savings of \$37,677.
- The Building/Planning Department should be totally self-sufficient with user/permit fees covering direct City costs of all inspections and planning and review fees, including salaries and benefits. This will require raising all fees by an average of 8½% to cover a shortfall of approximately \$13,000.
- The Woodward Dream Cruise should remain unsubsidized, with sponsorships/donors/product sales covering all direct costs of the City.
- Legal expenses are high when compared to comparably sized cities with similar legal issues. The Committee recommends that the City seek alternatives to the current legal services arrangement. Alternatives include a Request for Proposals from outside firms or sharing a full-time city attorney with another city. The City could reduce its legal bills approximately \$50,000 annually through consolidation.
- While it will place a burden on City employees, costs can be reduced by eliminating the private custodial services under contract for the Library, City Hall, Public Safety and Public Services Buildings.
- The City receives modest financial support from civic organizations for the annual 4th of July festivities. The net cost to City taxpayers is \$12,000 - \$15,000 per year. The Committee believes that the annual event, including fireworks, adds to the character and tradition of the City and does not recommend change.
- Elected and appointed officials are currently allowed by City policy to attend one national and one state conference per year of their respective professional associations. The Committee recommends that all such expenses be capped annually to \$1,500.00 per person.
- Despite 4 major health insurance policy changes in the past decade, employee health care costs have experienced the highest rate of annual increase in City expenditures. Retiree health care costs have been pre-funded since 1992, but remain a growing long-term liability. The Committee recommends the following:
 1. The City accelerate pre-funding healthcare costs for retirees. The funding should be based on an actuarial study and resulting annual cost commitment.
 2. The City negotiate higher deductibles and/or premium cost sharing with City employees and retirees.
 3. The City retain a health insurance consultant to recommend cost effective prescription drug benefits.
- The Committee does not recommend reducing the City's modest support of social service agencies, including Youth Assistance, Common Ground, Haven, and the Tri-Community Coalition. Funding support for all discretionary social programs totals only \$9,000 per year.

- Request the Environmental Advisory Committee to consider policies encouraging increased participation in trash-recycling programs. While mandatory recycling laws could save up to \$50,000 dollars per year, the Committee recommends more aggressive programs and policies to increase voluntary recycling, prior to consideration of a mandated program.
- The Committee recommends that the City's current method of depreciating capital equipment and major expenditures, by reserving funds in a designated 5-year, annually updated capital planning fund, be continued.
- The City must aggressively pursue the City of Detroit to pay an annual service fee for police and fire protection and related public services provided to the Detroit Zoo.
- The City should explore the creation a community foundation to generate long-term funding resources for local investment.
- The Committee recommends that a millage be placed before Huntington Woods voters in November 2003. The formal recommendation is to authorize the City to reinstate the current City Charter maximum operating millage rate of 20 mills effective July 1, 2004. To accomplish this, a new provision must be added to the City Charter limiting and capping the maximum annual City millage increase to ½ of 1 mil.
- The Committee recommends that a form of the Ad Hoc Operational and Financial Analysis Committee be permanently established as a budget and audit advisory committee of the City. Seven (7) members from the current Committee should be appointed and divided into one (1), two (2) and three (3) year terms and follow rotational policies of other advisory committees.

Ad Hoc Committee Process and Analysis

The Committee has recommended a series of cost reductions for the City, which if accepted in its entirety, could produce a long-term reduction in General Fund annual spending of approximately \$225,000. However, many of the recommendations will not show immediate reductions in City spending. In addition to the recommended cost and service reductions, the Committee has recommended a series of increased user fees, which will provide additional revenues to offset the cost of specific City services. Despite the combination of service and cost reductions and increased user fees, the City's budget will remain in a deficit position due to reductions of property taxes and state shared revenues. The City must also deal with the impact of inflation. The Committee does not wish to address the deficit entirely through further reductions of services or by cutting capital investments. The City has no alternative but to pursue additional revenue through an increase in taxation.

The Subcommittee explored many options to provide a reasonable increase in General Fund revenue. The Subcommittee considered shifting from a property tax to an income tax. The shift presented a number of advantages, including reducing the burden on senior citizens and people on fixed incomes. However, the Subcommittee concluded that the negative aspects of an income tax far outweighed the positive. An income-based tax may detrimentally affect the community by reducing the desirability of the City to higher income households.

The Subcommittee also explored the option of a temporary property tax increase. A temporary tax increase would force the City to accept specific Committee recommendations and explore additional long term cost cutting proposals. A temporary tax would also allow additional levels of resident participation in the future by forcing the City to communicate its operational and financial needs in a tax renewal vote. However, the temporary tax was rejected. The City presently maintains an excellent bond rating from Moody's and Standard and Poors (AA+). If a financial rating agency sees a decline in City revenue at a specific point, the City's bond rating may suffer and related borrowing costs for infrastructure may increase.

The Subcommittee also concluded that the City and its taxpayers generally communicate well due to the small size and unique character of the City. The Subcommittee believes that it is in the best interest of taxpayers to provide a long-term financial solution to maintain City services and capital investments, yet not significantly increase taxes. Continued forcing of cost reductions could be accomplished by a property tax increase which is gradual and limited in structure. A gradual property tax increase provides the City with a means of coping with inflation while continuing to pursue long-term alternatives, as presented in the Committee recommendations.

The Huntington Woods City Charter was adopted in 1932. It provided an ad valorem property tax rate not to exceed 20 mills (\$20 per \$1,000 of taxable valuation). The 20 mills have been reduced by the Headlee Amendment and Proposal A, which were extensively discussed in the introduction of this Report. The Committee recommends that Huntington Woods taxpayers re-instate the City Charter authorized millage limit of 20 mills. This is allowed by Headlee, however, the Committee also recommends that a limitation be added to the proposal that would cap the maximum increase of the property tax rate in any given year to .5 mills, or ½ of 1 mil. A half mil would generate an additional \$145,000.00 in fiscal 2004-2005. On average, each household will pay an additional \$56.00 per year in property taxes. The property tax increase is intentionally insufficient to balance the City's budget in fiscal years 2004-2005, 2005-2006 or 2006-2007. This insufficiency would force additional cost and service reductions. By requiring the City to make such reductions and draw down its "rainy day" fund in the early years of the property tax increase, it will force additional savings both short and long term. Because the ½ mil increase is compounded annually, the City will have sufficient long-term revenue to keep up with inflation and continue to replace and update the City's infrastructure.

It is important to note that reinstating the 20 mil City Charter millage limit does not allow the City to spread the full 20 mills at any time. Beginning in 2004, the City's Charter limit will continue to be reduced through the Headlee Amendment and Proposal A. Each year the cap is reduced. Beginning in 2004, however, the City would be allowed to increase the previous year's total operating millage rate by an amount not to exceed ½ of 1 mil. The tax increase proposal will remain in effect only until the annual reduction from 20 mills mandated by the Headlee Amendment and the increase from the current operating rate of 13.8771 (increased by 1/2 of 1 mil per year) meet. At an indeterminate date in the future, the City Commission will be unable to levy any additional property tax increase unless approved by voters. This date is indeterminate since we cannot project the Consumer Price Index (CPI), which triggers the annual property tax rate reduction.

In approximately twelve years, the City will be debt free. The Recreation Center/Pool and the Street/ Sewer and Water Main Replacement Bonds will be paid off. The Committee recommends no additional voted debt until the City becomes debt free. The City will, however, be able to borrow against the annual millage increase of ½ of 1 mil. The new millage should generate sufficient revenue by 2007 to allow borrowing for specific capital improvements, including roads. There may be specific cases where City debt must be authorized. An example is the major cost to rebuild Eleven Mile Road within the next five years. Allowing the City to borrow against the millage increase should satisfy these needs. Tables 3 and 4 demonstrate how the proposed property tax increase will impact typical Huntington Woods households over the course of the next five years and provides a detailed analysis of tax rate calculations.

It is important to point out that, under current law, beginning in 2003 and thereafter, property taxes paid for City operations will begin to annually decline for the typical homeowner. This is due to the long-term dynamic of Proposal A that caps annual increases in property assessments and simultaneously reduces the millage rate. Based on the now significant difference between Taxable Value and State Equalized Value (SEV), annual home sales force a reduction in the millage rate since the assessment cap is removed upon sale. The millage rate will annually be reduced by a percentage exceeding the average increase in taxable value. While the framers of Proposal A did not realize it would actually reduce property taxes, the consequence has begun. Proposal A has shifted a significant amount of property taxes from long established homeowners to recent home purchasers. This is especially true in Huntington Woods where residential home values have increased by far more than the rate of inflation since Proposal A was adopted in 1994.

The proposed 1/2 of 1 mil annual increase will negate the property tax reduction and increase the typical annual city property tax bill by approximately 3 1/2 percent per year. It is equally important to note that the Committee recommends a maximum property tax increase of up to ½ of 1 mil per year. The actual levy may be smaller in any given year. Historically, the City has generally levied all authorized property taxes. We believe that elected and appointed officials have been, and will continue to be, responsible and responsive to economic realities.

2. The City of Huntington Woods is preparing specification on the Eleven Mile Road Project which is now being engineered. This major project will result in the entire reconstruction of the roadway and underground infrastructure of the Eleven Mile road corridor in the City. The cost of the project will be 2.75 million dollars. It is anticipated that federal grants will pay for 75 to 80 % of the project. The remaining fund will be appropriated from the Enterprise fund (Water and Sewer) that will significantly pay for the new underground structures.

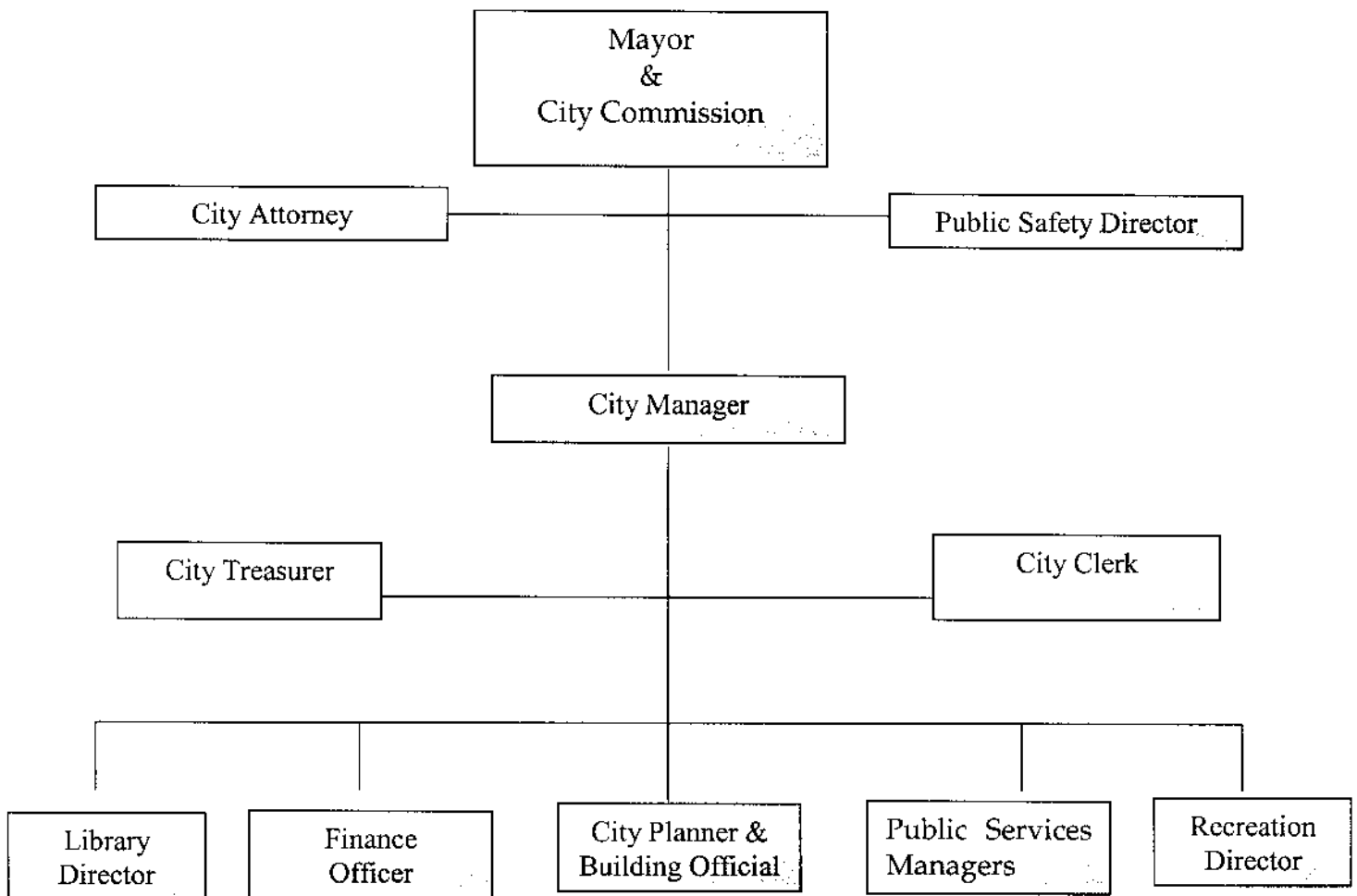
3. The City of Huntington Woods is preparing information via our health insurance providers and actuaries in an effort to fully comply with the provisions of GASB 43 and 45, which will require the City to disclose the cost of the actuarially determined liability which will be due and payable to current employees upon retirement. The City is looking at numerous ways through collective bargaining of reducing this liability by funding this cost through payroll deduction means.

Acknowledgements

The City of Huntington Woods Administration is extremely grateful to the finance and treasury management staff for its diligent efforts on making this CAFR possible. The hundreds of hours required to complete this task are a testament to the dedication and vision needed to get the job completed. We hope that this report offers the reader a far more comprehensive view regarding the financial position of the City.

In addition, the efforts of the Ad-Hoc Financial and Analysis Committee were critical in the City's efforts in passing a Headlee millage over-ride vote. It is the unselfish efforts of the men and women in Huntington Woods who serve on our committees and boards that make this City remarkable. Thanks for all your efforts.

ORGANIZATIONAL CHART



City Attorney, City Manager, Public Safety Director are appointed by the City Commission.
City Treasurer is appointed by the City Manager, approval of the City Commission.

City of Huntington Woods, Michigan
Principal Officials

Principal Officials - 2005

Mayor	Ronald Gillham
Mayor Pro Tem	Jeffrey Jenks
Commissioners	Phyllis Kramer Robert Paul Mary White
City Attorneys	Bert Shifman John Carlson
City Manager	Alex Allie
City Clerk	Ruth Franzoni
City Treasurer	Joy Solanskey
Deputy City Treasurer	Richelle Scott
Finance Director	Richard Lehmann
Public Safety Director	Steve Fairman
Library Director	Rochelle Gach
Recreation Director	Nancy Waldmann
DPS Managers	Claire Galed Larry Harworth
Planning Official	Bonnie Cook

City of Huntington Woods, Michigan

Fund Organization Chart

Governmental Funds

General*

Special Revenue

- Major Streets
- Local Streets
- Capital Planning
- Recreation*
- Sanitation**

Debt Service

- General Debt Service
- Street Debt Service
- GWK Drain Debt Service

Capital Projects

Proprietary Funds

Enterprise

- Water and Sewer*

Internal Service

- Equipment
- Retirement Benefits
- Health Insurance

Fiduciary Funds

Agency

- Agency

* Major funds under GASB Number 34.

** Presented as a major fund at the City's discretion.

Financial Section



Independent Auditor's Report

To the Honorable Mayor and Members of the City Commission
of the **City of Huntington Woods, Michigan**

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Huntington Woods, Michigan as of June 30, 2005, and for the year then ended which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Huntington Woods, Michigan's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Huntington Woods, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2005 on our consideration of the City of Huntington Woods, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

DOEREN MAYHEW

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 39 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Huntington Woods, Michigan's basic financial statements. The introductory section, combining and individual non-major fund financial statements and the accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Huntington Woods, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The statistical section on pages 49 through 67 is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information.


DOEREN MAYHEW

October 31, 2005
Troy, Michigan

Management's Discussion and Analysis

City of Huntington Woods, Michigan

Management's Discussion and Analysis

The City of Huntington Woods, Michigan's (the "City") management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on current information and facts. The MD&A is intended to serve as an introduction to the City's basic financial statements. This information is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues.

Overview of the Financial Statements

The City's annual report follows a prescribed format in accordance with the requirements of all Governmental Accounting Standards Board Statements, as well as Generally Accepted Accounting Principles.

Within the financial section of this comprehensive annual financial report are four major parts: (1) management's discussion and analysis, (2) the basic financial statements, (3) required supplemental information, and (4) other supplemental information that presents combining statements for non-major governmental, internal service and agency funds. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial condition. The remaining statements are presented on a fund level basis that focuses on individual parts of the City's government, reporting its operations in more detail than the government-wide statements.

The information contained within this MD&A is only a component of the entire financial statements. Readers are encouraged to read it in conjunction with the transmittal letter found on pages IV through XV, and the City's financial statement and notes which begin on page 9.

Government-wide Statements

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private sector, and are therefore prepared using the accrual basis of accounting. These statements provide a longer-term view of the City's finances and whether taxpayers have funded the full cost of providing governmental services. The first two statements are government-wide financial statements and include the following:

- The statement of net assets presents information pertaining to all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets will serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflow or outflow in future fiscal periods. The primary purpose of this statement is to highlight the relative cost of providing services to the City's residents and the net impact of these services on total net assets.

Both of the government-wide financial statements distinguish functions of the City that are primarily supported by taxes and intergovernmental revenues (governmental activities) or from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include legislative, general government, public safety, public works, library, building and planning, culture and recreation. The business-type activity of the City includes the water distribution and sewer-disposal system.

City of Huntington Woods, Michigan

Management's Discussion and Analysis, continued

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund level financial statements report the City's operations in more detail than the government-wide financial statements. The City uses fund accounting to comply with finance-related legal requirements. The City's three fund financial statements include the following:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow and the fund balances remaining at the end of the year end that are available for spending. The government fund statements provide a detailed short-term view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the City's programs.

The City maintains three major individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Sanitation fund and the Recreation fund. The City's seven non-major governmental funds are combined into a single statement, individual fund data for each of these funds is provided as combining statements in the section entitled "Other Supplemental Information". The non-major governmental funds include Major Street fund, Local Street fund, Capital Planning fund, Debt Service fund, Street Debt Service fund, GWK Debt fund and the Capital Projects fund.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information. The City uses two types of proprietary funds: the Water and Sewer fund is an enterprise fund, which charges residents usage fees. The other proprietary fund type is internal service funds, of which the City has three, which are used to report activities that provide services to the other City funds and activities, typically covered by charges to other City departments. Individual financial statements are presented for each fund in the section entitled "Other Supplemental Information". The activities of the internal service funds are eliminated in the government-wide statements to avoid duplicate reporting of revenues and expenses. The internal service funds include the Equipment fund, Retirement Benefits fund and the Health Insurance fund.
- Fiduciary funds – Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. These funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. However, these amounts may be appropriated to the Capital Planning Fund for use at the discretion of the City Commission.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. This information includes budgetary comparisons for the City's General fund, Sanitation fund and Recreation fund. Following the required supplemental information is a section containing other supplemental information. This includes combining statements for the City's non-major governmental funds, internal service funds and fiduciary funds. Immediately following the supplemental information is a statistical section, which provides certain information pertaining to general government revenues, expenditures, tax revenues and collections, demographic, and other statistical information.

City of Huntington Woods, Michigan

Management's Discussion and Analysis, continued

Budgetary Basis of Recording: Major Governmental Funds

Actual results of the general fund versus its budget as established and amended by the City Commission revealed a positive difference of \$86,859. The City reduced its reliance on fund balance as a means of balancing the budget as it was budgeted to use \$233,814 of fund balance during the fiscal year, while actual results reported using only \$146,955. The City spent the entire amended budget, as evidenced by a \$215 overage in our appropriations. This small margin may become an issue as the City is obligated to finish the year with a balanced budget as per the Uniform Budget Act. Any unforeseen expenditure will cause the budget to be overspent, therefore creating a negative variance.

This has been a difficult year for the City in dealing with the results of the Emerald Ash Borer insect that will eventually destroy approximately 400 ash trees in the City. This tree epidemic has caused the sanitation fund to significantly overspend during the year. Ultimately, the major and local road funds as well as the sanitation fund will be impacted as the expected removal and replacement cost of our tree stock will be in excess of \$250,000.

Overages in the Capital Planning fund are a result of the work started early on the Reynolds Park Rehabilitation Project. These costs, although forcing the budget variance into a negative position, will be entirely paid for by a grant from a local civic group.

The City continues to aggressively review expenditures and revenue estimates at the end of each fiscal year in an effort to reduce the instances of negative budget variances.

Financial Position Statement

The City used a portion of the general fund balance in each of the last four years. The following chart represents the change in the general fund balance for a period of 5 years:

<u>Year</u>	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>	<u>Net Change</u>
2001	\$1,404,563	\$1,409,982	\$ 5,419
2002	1,409,982	1,282,282	(127,700)
2003	1,282,282	1,041,146	(241,136)
2004	1,041,146	789,472	(251,674)
2005	789,472	642,517	(146,955)

This usage of fund balance to balance the budget is due to many factors including, reduction in revenue sharing, major increases in employee benefits, and major changes in interest earnings. The most significant concern is the reduction in our taxing ability brought about by the Headlee Amendment and Proposal A. These initiatives have combined to cause the City to be unable to raise additional tax dollars to replace those lost by cost increases and revenue sharing reductions.

The City passed a Headlee over-ride millage vote in November 2003 that will allow the City to levy .50 mills per year up to the maximum allowed under the Headlee tax limitation statute. The millage will allow the City to increase its taxation ceiling incrementally over the next 10 years.

City of Huntington Woods, Michigan

Management's Discussion and Analysis, continued

Financial Position Statement, continued

Additional action items that will reduce the reliance on fund balance to balance the budget are as follows:

- A reduction in spending and budget spending delays based upon the implementation of a study completed by an AD-HOC Financial Analysis Committee including a series of 29 directives for reductions in expenditures city-wide, as illustrated in the Letter of Transmittal.
- Further budget reductions and delays in capital project spending.
- Increase in millage by .50 mills per year as per voter approval.
- Implementation of recent changes in the building department funding structure. The City has reviewed the cost of operating the building department and has made significant changes that will allow the City to collect revenue commensurate with the cost of operating the building department.

The City of Huntington Woods as a Whole

The City's combined total of net assets for the fiscal year ended June 30, 2005 is \$19.7 million. Comparative analysis of government-wide data is being presented for fiscal years 2005 and 2004.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is reported as \$3.4 million in the fiscal year ended 2005. Of this amount, \$1.7 million is unrestricted net assets reported for the City's governmental activities.

The information below shows total assets, total liabilities and total nets assets as of June 30, 2005 and 2004, in a condensed format.

	Governmental Activities 2005	Business-Type Activities 2005	Total	Governmental Activities 2004	Business-Type Activities 2004	Total
Current Assets	\$ 3,632,866	\$ 1,918,531	\$ 5,551,397	\$ 4,527,905	\$ 1,616,233	\$ 6,144,138
Capital Assets	26,899,780	2,725,534	29,625,314	27,236,961	2,827,475	30,064,436
Total assets	30,532,646	4,644,065	35,176,711	31,764,866	4,443,708	36,208,574
Long-Term Debt	13,262,989	215,427	13,478,416	13,888,211	55,812	13,944,023
Other Liabilities	1,622,924	277,173	1,900,097	2,213,643	169,696	2,383,339
Total liabilities	14,885,913	492,600	15,378,513	16,101,854	225,508	16,327,362
Net Assets						
Invested in Capital Assets,						
Net of Debt	13,718,189	2,510,107	16,228,296	13,355,636	2,771,663	16,127,299
Restricted	136,015	-	136,015	136,015	-	136,015
Unrestricted	1,792,529	1,641,358	3,433,887	2,171,361	1,446,537	3,617,898
Total Net Assets	\$ 15,646,733	\$ 4,151,465	\$ 19,798,198	\$ 15,663,012	\$ 4,218,200	\$ 19,881,212

The City is reviewing the impact of presenting the liability associated with calculation of the cost of long-term health care benefits on the balance sheet. This change in the financial statements will be required within a few years, and will dramatically impact the combined statement of net assets.

City of Huntington Woods, Michigan

Management's Discussion and Analysis, continued

The City of Huntington Woods as a Whole, continued

The following shows the change in net assets as of June 30, 2005 and 2004, in a condensed format.

	Governmental Activities 2005	Business-Type Activities 2005	Total	Governmental Activities 2004	Business-Type Activities 2004	Total
Program Revenues:						
Charges for services	\$ 1,927,417	\$ 1,611,279	\$ 3,538,696	\$ 1,825,036	\$ 1,500,798	\$ 3,325,834
Operating grants and contributions	380,025	-	380,025	393,415	-	393,415
Capital grants and contributions	8,465	-	8,465	12,216	-	12,216
General Revenues:						
Property taxes	5,499,185	-	5,499,185	5,145,473	-	5,145,473
State-shared revenues	591,245	-	591,245	607,762	-	607,762
Interest earnings	106,576	26,878	133,454	23,710	7,398	31,108
Other revenue	244,749	-	244,749	54,738	-	54,738
Total revenues	8,757,662	1,638,157	10,395,819	8,062,370	1,508,196	9,570,566
Program Expenses:						
General government	2,197,503	-	2,197,503	2,138,692	-	2,138,692
Public safety	1,598,567	-	1,598,567	1,502,117	-	1,502,117
Public works	217,363	-	217,363	229,489	-	229,489
Library	435,380	-	435,380	418,550	-	418,550
Maintenance	407,231	-	407,231	411,802	-	411,802
Traffic services	15,756	-	15,756	20,971	-	20,971
Snow and ice removal	58,644	-	58,644	54,585	-	54,585
Administrative	206,666	-	206,666	172,247	-	172,247
Aquatic Club	189,009	-	189,009	188,969	-	188,969
Recreation	1,365,100	-	1,365,100	1,320,142	-	1,320,142
Employee benefits	1,250,897	-	1,250,897	1,142,039	-	1,142,039
Professional services	414,217	-	414,217	396,731	-	396,731
Capital outlay	-	-	-	267,875	-	267,875
Interest expense	524,043	-	524,043	523,336	-	523,336
Water	-	1,598,457	1,598,457	-	1,377,640	1,377,640
Total program expenses	8,880,376	1,598,457	10,478,833	8,787,545	1,377,640	10,165,185
Excess (Deficiency) Before Transfers	(122,714)	39,700	(83,014)	(725,175)	130,556	(594,619)
Transfers	106,435	(106,435)	-	208,654	(208,654)	-
Increase (Decrease) in Net Assets	(16,279)	(66,735)	(83,014)	(516,521)	(78,098)	(594,619)
Net Assets - Beginning of Year	15,663,012	4,218,200	19,881,212	16,179,533	4,296,298	20,475,831
Net Assets - End of Year	\$ 15,646,733	\$ 4,151,465	\$ 19,798,198	\$ 15,663,012	\$ 4,218,200	\$ 19,881,212

The City has experienced a smaller reduction in its overall assets over last year. This change is a result of the additional .50 millage levied against the tax roll and other changes to the fee based revenue structure. The decrease in net assets this year was significantly less at \$16,279. A large part of this reduction was caused by a reduction in spending in our overall governmental activities, which was held to just over 1% in aggregate. Revenues were substantially stronger as well. The City's overall revenue increased in the governmental activities by nearly \$700,000.

City of Huntington Woods, Michigan

Management's Discussion and Analysis, continued

SUMMARY

The City has made progress in reducing the financial impact caused by Proposal A, reductions in statutory revenue sharing and the current recession in Michigan. This year marks the second year the City was able to increase the tax levy by .50 mills to bring in additional revenue required to balance the budget. Fiscal year 2004-05 tax revenue increased by approximately \$273,000 as a result of this over-ride vote. The City is still working under the no-growth program as established by the AD-HOC Financial and Analysis Committee and the majority of the original recommendations have been implemented. The City must still take steps to reduce expenditures, reduce staff where possible, and assure that the appropriate fees are posted for services rendered. The City should strive to maintain a viable fund balance for cash flow and budget stabilization purposes.

Fund balances in the local road fund and the sanitation fund have been reduced this year due to additional solid waste costs and tree removal expenditures, the City had adequate cash reserves to make-up any shortfall. The City will need to maintain appropriate fund balances in these funds in order to accommodate cash flow, and eliminate any unnecessary transfers from the general fund. Overall, the non-major governmental funds resulted in a reduction in their fund balances by \$72,045 this fiscal year. Although this is less than was originally anticipated, the City is hopeful that it will be able to present a positive net earnings picture by 2007.

The City is currently in the process of reviewing its obligations as it pertains to GASB 45. This will require the City to report additional information regarding the long-term impact of post employment obligations other than pensions (i.e., health care). This will require the City to determine the cost on an actuarial basis. The City will need to determine the implications of this accounting requirement, as the cost of funding this obligation will be large. The City will be required to complete this process by July 1, 2009.

Lastly, the City has fully implemented GASB 40 for the fiscal year ended June 30, 2005. This pronouncement proposed to show the level of risk associated with different investment vehicles, as well as indicating current market values on investments that are marked to market. The investment portfolio in aggregate indicates an average investment duration of 20.53 months. The City maintains a very aggressive 4% diversification rate in the investment portfolio.

This financial report is intended to provide the citizens, taxpayers, customers and investors with a general overview of the City of Huntington Woods, Michigan's finances and to show accountability for the money received. If you have any questions about this report or need additional information, the City welcomes you to contact the administrative offices at City Hall.

Basic Financial Statements

CITY OF HUNTINGTON WOODS, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents (note 1)	\$ 550,219	\$ 101,182	\$ 651,401
Investments (note 2)	2,679,802	1,284,943	3,964,745
Receivables			
Accounts receivable	280,519	477,261	757,780
Contracts	39,691	-	39,691
Special assessments	70,596	-	70,596
Accrued interest	12,039	-	12,039
Inventories	-	55,145	55,145
Capital assets, net (note 3)			
Assets not depreciated	89,802	1,000	90,802
Construction-in-progress	3,748,688	-	3,748,688
Assets being depreciated	23,061,290	2,724,534	25,785,824
Total assets	30,532,646	4,644,065	35,176,711
Liabilities			
Accounts payable and contract retainages	261,270	206,238	467,508
Bank overdraft	671,857	-	671,857
Accrued expenses	84,215	50,785	135,000
Deposits	29,213	20,150	49,363
Other liabilities	576,369	-	576,369
Noncurrent liabilities (note 4)			
Due within one year	750,992	51,270	802,262
Due in more than one year	12,511,997	164,157	12,676,154
Total liabilities	14,885,913	492,600	15,378,513
Net Assets			
Invested in capital assets, net of related debt	13,718,189	2,510,107	16,228,296
Restricted for			
Construction projects	136,015	-	136,015
Unrestricted	1,792,529	1,641,358	3,433,887
Total net assets	\$ 15,646,733	\$ 4,151,465	\$ 19,798,198

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Primary Government	Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities	General government	\$ 2,197,503	\$ 506,084	\$ -	\$ 6,476	\$ (1,684,943)	\$ -	\$ (1,684,943)
	Public safety	1,598,567	155,338	-	1,989	(1,441,240)	-	(1,441,240)
	Public works	217,363	220,098	-	-	2,735	-	2,735
	Library	435,380	52,046	2,682	-	(380,652)	-	(380,652)
	Maintenance	407,231	-	377,343	-	(29,888)	-	(29,888)
	Traffic services	15,756	-	-	-	(15,756)	-	(15,756)
	Snow and ice removal	58,644	-	-	-	(58,644)	-	(58,644)
	Administrative	206,666	-	-	-	(206,666)	-	(206,666)
	Aquatic Club	169,009	185,032	-	-	(1,977)	-	(3,977)
	Recreation	1,365,100	808,819	-	-	(556,281)	-	(556,281)
	Employee benefits	1,250,897	-	-	-	(1,250,897)	-	(1,250,897)
	Professional services	414,217	-	-	-	(414,217)	-	(414,217)
	Interest on long-term debt	524,043	-	-	-	(524,043)	-	(524,043)
	Total governmental activities	8,880,376	1,927,417	380,025	8,465	(6,564,469)	-	(6,564,469)
Business-type activities	Water	1,598,457	1,611,279	-	-	-	12,822	12,822
	Total primary government	\$ 10,478,833	\$ 3,538,696	\$ 380,025	\$ 8,465	(6,564,469)	12,822	(6,551,647)
	General revenues and transfers							
	Property taxes, levied for general purposes					4,331,025	-	4,331,025
	Property taxes, levied for debt service purposes					1,168,160	-	1,168,160
	State-shared revenues					591,245	-	591,245
	Interest and investment earnings					106,576	26,878	133,454
	Other					244,749	-	244,749
	Transfers					106,435	(106,435)	-
	Total general revenues and transfers					6,548,190	(79,557)	6,468,633
	Changes in net assets					(16,279)	(66,735)	(83,014)
	Net Assets - July 1, 2004					15,663,012	4,218,200	19,881,212
	Net Assets - June 30, 2005					\$ 15,646,733	\$ 4,151,465	\$ 19,798,198

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	ASSETS				
	Major Funds			Other	Total
	General Fund	Sanitation Fund	Recreation Fund	Nonmajor Governmental Funds	Governmental Funds
Cash and cash equivalents	\$ 281,663	\$ -	\$ 139,743	\$ 88,656	\$ 510,062
Investments	297,580	285,095	14	972,497	1,555,186
Receivables					
Accounts receivable	159,715	-	6,068	104,105	269,888
Taxes	34,607	4,528	556	-	39,691
Inventories	12,039	-	-	-	12,039
Prepaid items	43,689	-	-	6,944	50,633
Total assets	<u>\$ 829,293</u>	<u>\$ 289,623</u>	<u>\$ 146,381</u>	<u>\$ 1,172,202</u>	<u>\$ 2,437,499</u>
	LIABILITIES AND FUND BALANCE				
Liabilities					
Accounts payable	\$ 72,135	\$ 36,064	\$ 36,170	\$ 6,283	\$ 150,652
Bank overdraft	-	179,792	-	300,084	479,876
Accrued expenses	38,152	1,318	30,212	3,542	73,224
Due to other funds	50,000	-	-	-	50,000
Other liabilities	26,489	-	2,724	-	29,213
Total liabilities	186,776	217,174	69,106	309,909	782,965
Fund Balances					
Reserved for					
Construction and improvements	-	-	-	136,015	136,015
Unreserved					
Designated	103,368	-	-	56,024	159,392
Undesignated	539,149	72,449	77,275	670,254	1,359,127
Total fund balances	642,517	72,449	77,275	862,293	1,654,534
Total liabilities and fund balances	<u>\$ 829,293</u>	<u>\$ 289,623</u>	<u>\$ 146,381</u>	<u>\$ 1,172,202</u>	<u>\$ 2,437,499</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
AND STATEMENT OF NET ASSETS
JUNE 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances for governmental funds	\$ 1,654,534
Capital assets used in governmental activities are not financial resources and are not reported in the funds	25,880,600
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(13,181,591)
Internal Service Funds are included as part of governmental activities	1,299,835
Compensated absences are included as a liability in governmental activities	<u>(6,645)</u>
Net assets of governmental activities	<u>\$ 15,646,733</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Sanitation Fund	Recreation Fund		
Revenues					
Property taxes and special assessments	\$ 3,784,868	\$ 486,118	\$ 60,039	\$ 1,168,160	\$ 5,499,185
Licenses and permits	328,879	-	-	-	328,879
Intergovernmental	602,392	-	-	359,414	961,806
Charges for services	79,883	-	-	-	79,883
Aquatic Club charges	-	-	185,032	-	185,032
Program fees	-	-	808,819	-	808,819
Fines and forfeits	223,307	-	-	-	223,307
Interest	59,913	5,763	828	20,771	87,275
Other	191,347	910	-	152,701	344,958
Total revenues	5,270,589	492,791	1,054,718	1,701,046	8,519,144
Expenditures					
Current					
General government	1,042,830	-	-	-	1,042,830
Public safety	1,598,567	-	-	-	1,598,567
Public works	215,427	-	-	-	215,427
Library	408,473	-	-	-	408,473
Maintenance	-	-	-	407,231	407,231
Traffic services	-	-	-	15,756	15,756
Snow and ice removal	-	-	-	58,644	58,644
Administrative	-	79,184	-	127,482	206,666
Aquatic Club	-	-	189,009	-	189,009
Recreation	-	-	1,337,510	-	1,337,510
Employee benefits	1,228,790	22,348	-	-	1,251,138
Professional services	-	414,217	-	-	414,217
Capital outlay	-	-	-	191,901	191,901
Debt service					
Principal	-	-	-	709,245	709,245
Interest and other charges	-	-	-	524,043	524,043
Total expenditures	4,494,087	515,749	1,526,519	2,034,302	8,570,657
Excess of Revenues Over (Under)					
Expenditures	776,502	(22,958)	(471,801)	(333,256)	(51,513)
Other Financing Sources (Uses)					
Transfers - in	133,187	-	470,433	311,211	914,831
Transfers - out	(1,056,644)	(24,752)	-	(50,000)	(1,131,396)
Total other financing sources (uses)	(923,457)	(24,752)	470,433	261,211	(216,565)
Net Change in Fund Balances	(146,955)	(47,710)	(1,368)	(72,045)	(268,078)
Fund Balances - July 1, 2004	789,472	120,159	78,643	934,338	1,922,612
Fund Balances - June 30, 2005	\$ 642,517	\$ 72,449	\$ 77,275	\$ 862,293	\$ 1,654,534

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ (268,078)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is
the amount by which capital outlays exceed depreciation in the
current period (411,872)

Bond proceeds provide current financial resources to governmental
funds, but issuing debt increased long-term liabilities in the
statement of net assets. Repayment of bond principal is an
expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the statement of net assets.
This is the amount by which proceeds exceeded repayments 624,981

Some expenses reported in the statement of activities do not require
the use of current financial resources and, therefore, are not
reported as expenditures in government funds 241

Internal Service Funds are used by management to charge the costs
of certain activities, such as insurance to individual funds. The
net expenses of the Internal Service Funds is reported with
governmental activities 38,449

Change in net assets of governmental activities \$ (16,279)

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2005

	Business-Type Activities Water Fund	Governmental Activities Internal Service Funds
Assets		
Current Assets		
Cash and cash equivalents	\$ 101,182	\$ 40,157
Investments	1,284,943	1,124,616
Receivables	477,261	10,631
Prepaid expenses	-	19,963
Due from other funds	-	50,000
Inventories	55,145	-
Total current assets	1,918,531	1,245,367
Noncurrent Assets		
Capital assets, net		
Assets not depreciated	1,000	-
Assets being depreciated	2,724,534	1,019,180
Total noncurrent assets	2,725,534	1,019,180
Total assets	\$ 4,644,065	\$ 2,264,547
Liabilities		
Current Liabilities		
Accounts payable and contract	\$ 206,238	\$ 110,618
Bank overdraft	-	191,981
Accrued expenses	50,785	10,991
Deposits and other	20,150	-
Due to employees	-	576,369
Current portion of long-term debt	51,270	13,792
Total current liabilities	328,443	903,751
Noncurrent Liabilities		
Long-term debt	164,157	60,961
Total liabilities	492,600	964,712
Net Assets		
Invested in capital assets, net of related debt	2,510,107	1,019,180
Restricted for		
Other purposes	-	180,000
Unrestricted	1,641,358	100,655
Total net assets	4,151,465	1,299,835
Total liabilities and net assets	\$ 4,644,065	\$ 2,264,547

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities	Governmental Activities
	Water Fund	Internal Service Funds
Operating Revenues		
Charges for sales and services	\$ 1,601,494	\$ -
Penalties	5,522	-
Charges to other funds of the City	-	219,188
Other	4,263	29
Total operating revenues	1,611,279	219,217
Operating Expenses		
Sewage disposal costs	585,694	-
Water purchases	268,230	-
Payroll and benefits	355,464	-
Depreciation	101,941	92,304
Other	287,128	430,765
Total operating expenses	1,598,457	523,069
Operating Income (Loss)	12,822	(303,852)
Nonoperating Revenues (Expenses)		
Interest income	26,878	19,301
Transfers - in (out)	(106,435)	323,000
Total nonoperating revenues (expenses)	(79,557)	342,301
Change in Net Assets	(66,735)	38,449
Net Assets - July 1, 2004	4,218,200	1,261,386
Net Assets - June 30, 2005	<u>\$ 4,151,465</u>	<u>\$ 1,299,835</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities Water Fund	Governmental Activities Internal Service Funds
Cash Flows From Operating Activities:		
Receipts from customers	\$ 1,520,698	\$ 219,217
Payments to suppliers for goods and services	(1,033,576)	(2,592)
Payments to employees for services	(355,464)	(398,135)
Net cash provided from (used in) operating activities	131,658	(181,510)
Cash Flows From Noncapital Financing Activities:		
Interfund transfers	(106,435)	323,000
Cash Flows From Capital and Related Financing Activities:		
Acquisition of property, plant and equipment	-	(256,855)
Proceeds from sale of fixed assets	-	4,900
Bank overdraft	-	191,981
Proceeds from long-term debt	196,500	86,962
Payments of long-term debt	(36,885)	(12,209)
Net cash provided from capital and related financing activities	159,615	14,779
Cash Flows From Investing Activities:		
Interest received	26,878	19,301
Net Increase in Cash and Cash Equivalents	211,716	175,570
Cash and Cash Equivalents - July 1, 2004	1,174,409	989,203
Cash and Cash Equivalents - June 30, 2005	\$ 1,386,125	\$ 1,164,773
Reconciliation of operating income (loss) to net cash provided from (used in) operating activities:		
Operating income (loss)	\$ 12,822	\$ (303,852)
Depreciation	101,941	92,304
Loss on sale of fixed assets	-	10,207
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:		
Increase in receivables	(90,581)	(60,631)
Increase in prepaid expenses	-	(19,963)
Increase in accounts payable and contract	76,678	82,978
Decrease in deposits and other	(330)	-
Increase in other liabilities	31,128	17,447
Total adjustments	16,895	19,831
Net cash provided from (used in) operating activities	\$ 131,658	\$ (181,510)

See accompanying notes to financial statements

City of Huntington Woods, Michigan
Notes to Financial Statements
June 30, 2005

Note 1 - Significant Accounting Policies

The accounting policies of the City of Huntington Woods, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Huntington Woods, Michigan:

Reporting Entity

The City has adopted the position of the Governmental Accounting Standards Board (GASB) as outlined in its Statement 1 regarding the definition of a reporting entity. The City of Huntington Woods, Michigan is governed by an elected mayor and a four-member commission. A full-time City Manager is appointed by this body to carry out the policies that are established. The City has no component units, or entities for which the City is considered financially accountable.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support to a significant extent.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund. Revenue is recorded when earned, and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 1 - Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

expenditures, expenditures relating to compensating absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General fund – The General fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Sanitation fund – The Sanitation fund accounts for the operation of the solid waste collection, disposal and recycling functions of the City.

Recreation fund – The Recreation fund accounts for the operation and maintenance of city parks, as well as the operation of all recreation programs and leisure activities, including the operation of the City pool.

The City reports the following major proprietary fund:

Water and Sewer fund – The Water and Sewer fund accounts for the operation and maintenance of the water supply system, as well as the City sewage disposal infrastructure. It is financed primarily through user charges.

Additionally, the City reports the following fund types:

Internal service funds – Internal service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost reimbursement basis. They also account for health care benefits provided to qualified employees during retirement, as well as a health insurance fund to provide for self funding of health care benefits.

Agency fund – The Agency fund is custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes. The Agency fund activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. However, these amounts may be appropriated to the Capital Planning Fund for use at the discretion of the City Commission.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the proprietary fund's principal ongoing activities. The principal operating revenue of our proprietary fund relates to charges to customers for water sales and services and sewage disposal. Operating expenses for proprietary funds include the cost of water, sewer disposal, operations and maintenance, general and administrative

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 1 - Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed. Any real property taxes not paid by March 1st, following the due date, are purchased by the County and paid to the City. The County Treasurer takes over collection responsibility at that date. Delinquent personal property taxes are less certain as to ultimate collection and, therefore, are paid to the City upon collection.

The City's 2004 tax is levied and collectible on July 1, 2004, and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the City totaled \$273,302,590, on which taxes levied consist of 19.2401 mills for operating purposes. This resulted in \$5,258,369 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments. These amounts are recognized in the respective General, Special Revenue and Debt Service Funds financial statements as tax revenue.

Assets, Liabilities and Net Assets or Equity

Cash and Investments – Cash and cash equivalents include cash on hand and demand deposits. Investments include all short-term instruments of less than three months when acquired, as well as investment instruments as allowed by P.A. 20 of 1943 as amended and the City's investment policy. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average cash balance per fund. Throughout the year ended June 30, 2005, the City had cash balances with a major single financial institution in excess of \$100,000, which is covered by the Federal Depository Insurance Corporation. At June 30, 2005, no single investment instrument was in excess of the FDIC insurance limit.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible accounts.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 1 - Significant Accounting Policies, continued

Assets, Liabilities and Net Assets or Equity, continued

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	40 years
Infrastructure	60 years
Machinery and equipment	7 - 15 years
Office equipment/furniture	5 - 10 years
Vehicles	7 years

Compensated Absences (Vacation and Sick Time) – It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary financial statements, accrued compensated absences are paid upon employee termination.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the period. Actual results could differ from those estimates.

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 1 - Significant Accounting Policies, continued

Budgetary Information

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's "Bulletin for Audits of Local Units of Government in Michigan" dated April 1984:

- Budgets must be adopted for the General Fund, Special Revenue Funds, and Debt Service Funds.
- Budgeted expenditures cannot exceed budgeted revenues and fund balance.
- The budgets must be amended when necessary.
- Public hearings must be held before budget adoptions.
- Expenditures cannot exceed budget appropriations.
- Expenditures must be authorized by a budget before being incurred.

Budgeted amounts of the revenues and expenditures presented for the governmental funds are a summarization of the budgeted amounts as originally adopted, or as amended by the City Commission. Individual amendments were not material in relation to the original appropriations that were adopted for the general, special revenue, or debt service funds. Budget appropriations lapse at year-end and encumbrances are not included as expenditures. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the above funds, is included as required supplemental information. Budgets have been prepared on a basis consistent with generally accepted accounting principles.

Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The City appropriated \$233,814 from the unreserved fund balance for operations. For the fiscal year ended June 30, 2005, \$146,955 was used for this purpose. The General Fund finished the year with 100% of all appropriations spent in aggregate, however for the year ended June 30, 2005, the following accounts incurred excess expenditures over the amount appropriated:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage</u>
General Fund:				
General Government -				
Administrative	\$ 877,328	\$ 907,990	\$ 30,662	4%
Employee benefits	1,158,690	1,228,790	70,100	6%
Public Safety	1,592,114	1,598,567	6,453	1%
Special Revenue Funds:				
Recreation	\$ 1,522,376	\$ 1,526,519	\$ 4,143	1%
Major Road	254,196	259,775	5,579	3%
Local Road	303,909	329,048	25,139	8%
Sanitation	510,216	540,501	30,285	6%

The funds had adequate fund balance to cover the expenditures in excess of amounts appropriated.

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 1 - Significant Accounting Policies, continued

Budget Compliance - Continued

The City established the Health Insurance Fund, an Internal Service Fund on July 1, 2002 for the purpose of providing a fund by which future employee health insurance costs may be charged.

Note 2 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

The City has designated one bank for the deposit of its funds. Each financial intermediary, broker, or dealer that holds the City's funds must be provided with a copy of the investment policy and comply with the policy. The investment policy adopted by the commission in accordance with Public Act 196 of 1997 has authorized investment in all of the above securities. The City's deposits and investment policy are in accordance with statutory authority.

Deposits

The deposits of the City as of June 30, 2005 amounted to \$651,401 in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) of which \$551,401 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 2 - Deposits and Investments, continued

Investments

As of June 30, 2005, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Totals</u>	<u>INVESTMENT MATURITIES IN MONTHS</u>					
		<u>Less Than</u>	<u>3-6</u>	<u>6-12</u>	<u>12-24</u>	<u>24-36</u>	<u>36</u>
		<u>3 months</u>	<u>months</u>	<u>Months</u>	<u>months</u>	<u>months</u>	<u>months +</u>
Money Market Fund	\$394,812	\$394,812	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Home Loan Bank (FHLB)	\$1,531,143	-	-	-	\$499,845	\$492,500	\$538,798
Certificate of Deposit	\$401,082	\$250,690	\$150,392	-	-	-	-
U.S. Treasury Bill	\$296,955	-	\$296,955	-	-	-	-
Federal National Mortgage Corporation (FNMA)	\$1,364,501	-	-	-	-	-	\$1,364,501
Commercial Paper	<u>\$384,534</u>	<u>\$384,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$4,373,027</u>	<u>\$1,030,036</u>	<u>\$447,347</u>	<u>\$ -</u>	<u>\$499,845</u>	<u>\$492,500</u>	<u>\$1,903,299</u>

The investments presented on the Statement of Net Assets from the primary government and agency fund includes accrued interest of \$1,718 as of June 30, 2005.

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of June 30, 2005, the City's investments in commercial paper were rated A1 by Standard and Poor's and P1 by Moody's Investors Service.

Diversification. The City investment policy suggests that the City "diversify by security type and institution," and that no more than 50% of the portfolio is in a single financial institution. The current portfolio is well diversified to an average of 4% in any one investment instrument.

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 2 - Deposits and Investments, continued

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are categorized to give an indication of the level of risk assumed by the entity at June 30, 2005. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

At year end, the City's investment balances were categorized as follows:

TOTAL FACE VALUE AT MATURITY	INVESTMENT VEHICLE	RISK CATEGORY	COUPON	MATURITY DATE	S&P	MOODY'S	OTHER	YIELD TO MATURITY	CURRENT MARKET VALUE
250,000	Federal Home Loan Bank (FHLB)	1	2.60%	6/23/2006	AAA	AAA	--	2.60%	\$247,110.00
500,000	Federal Home Loan Bank (FHLB)	1	2.63%	7/12/2006	AAA	AAA	--	3.33%	499,845.00
150,392	Certificate of Deposit	3	3.03%	8/15/2005	--	--	A+	3.03%	150,000.00
250,690	Certificate of Deposit	3	3.55%	8/25/2005	--	--	Upper Tier	3.55%	250,000.00
300,000	U.S. Treasury Bill	1	2.90%	10/27/2005	AAA	AAA	--	2.90%	296,955.00
350,000	Federal National Mortgage Corporation (FNMA)	1	4.75%	10/15/2006	AAA	AAA	--	3.70%	352,845.50
250,000	Federal Home Loan Bank (FHLB)	1	2.38%	10/30/2006	AAA	AAA	--	3.80%	245,390.00
55,000	Federal National Mortgage Corporation (FNMA)	1	2.50%	11/28/2006	AAA	AAA	--	3.81%	54,019.35
250,000	Federal Home Loan Bank (FHLB)	1	2.55%	4/5/2007	AAA	AAA	--	3.77%	244,610.00
270,000	Federal National Mortgage Corporation (FNMA)	1	3.25%	1/15/2008	AAA	AAA	--	3.82%	266,287.50
250,000	Federal Home Loan Bank (FHLB)	1	3.35%	12/26/2008	AAA	AAA	--	3.97%	245,000.00
50,000	Federal Home Loan Bank (FHLB)	1	3.50%	1/30/2009	AAA	AAA	--	3.99%	49,187.50
250,000	Federal National Mortgage Corporation (FNMA)	1	3.80%	2/17/2009	AAA	AAA	--	4.31%	245,745.00
389,000	Commercial Paper	3	3.34%	10/31/2005	A1	P1	F1	2.52%	384,534.28
450,000	Federal National Mortgage Association (FNMA)	1	3.00%	9/14/2006	AAA	AAA	--	3.80%	448,662.62
		AVERAGE COUPON	<u>3.14%</u>				AVERAGE YIELD-TO- MATURITY	<u>3.53%</u>	

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 3 - Capital Assets

Capital assets activity of the primary government's governmental and business-type activities was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Governmental Activities:				
Capital assets:				
Infrastructure - roads and sidewalks	\$ 19,543,654	\$ -	\$ -	\$ 19,543,654
Vehicles	15,869	-	-	15,869
Office equipment and furniture	773,515	88,009	-	861,524
Library books and fine arts	678,182	-	-	678,182
Machinery and equipment	2,545,348	256,855	61,815	2,740,388
Land improvements	124,928	70,000	-	194,928
Buildings and improvements	8,839,198	33,893	-	8,873,091
Land	89,802	-	-	89,802
Construction-in-progress	<u>3,748,688</u>	<u>-</u>	<u>-</u>	<u>3,748,688</u>
Subtotal	36,359,184	448,757	61,815	36,746,126
Accumulated depreciation:				
Infrastructure - roads and sidewalks	4,241,424	309,105	-	4,550,529
Vehicles	5,290	882	-	6,172
Office equipment and furniture	746,256	60,629	-	806,885
Library books and fine arts	612,042	25,123	-	637,165
Machinery and equipment	1,148,458	133,498	46,708	1,235,248
Land improvements	105,530	26,789	-	132,319
Buildings and improvements	<u>2,263,223</u>	<u>214,805</u>	<u>-</u>	<u>2,478,028</u>
Subtotal	<u>9,122,223</u>	<u>770,831</u>	<u>46,708</u>	<u>9,846,346</u>
Net capital assets	<u>\$ 27,236,961</u>	<u>\$ (322,074)</u>	<u>\$ 15,107</u>	<u>\$ 26,899,780</u>

Depreciation included in the determination of operating income is computed on the straight-line basis over estimated useful lives ranging from 5 years to 60 years. Land is a non-depreciable asset. Depreciation expense at June 30, 2005 amounted to:

Governmental Funds	\$ 770,831
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The City's interest in the George W. Kuhn portion of the Twelve Town Drain System that is owned and operated by several governmental agencies has been reflected under the caption of construction-in-progress in the accompanying financial statements. Liabilities to the County for construction of the sewage disposal facilities are recorded in the government-wide statement of net assets as noncurrent liabilities of the City because related debt service charges are financed largely by property taxes levied instead of by user charges. Accordingly, property and equipment related to County sewer operations are not recorded in the Water Fund rather are recorded in governmental activities.

The City's interest in the initial Twelve Town Drain System has not been recorded in capital assets due to the immateriality of the net book value of the asset.

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 3 - Capital Assets, continued

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Business-Type Activities:				
Capital assets:				
Buildings and improvements	\$ 7,499	\$ -	\$ -	\$ 7,499
Land	1,000	-	-	1,000
Machinery and equipment	435,013	-	7,546	427,467
Water and sewer mains	3,354,200	-	-	3,354,200
Water meters	<u>241,351</u>	<u>-</u>	<u>-</u>	<u>241,351</u>
Subtotal	4,039,063	-	7,546	4,031,517
Accumulated depreciation	<u>1,211,588</u>	<u>101,941</u>	<u>7,546</u>	<u>1,305,983</u>
Net capital assets	<u>\$ 2,827,475</u>	<u>\$ (101,941)</u>	<u>\$ -</u>	<u>\$ 2,725,534</u>

Depreciation included in the determination of operating income is computed on the straight-line basis over estimated useful lives ranging from 5 years to 60 years. Land is a non-depreciable asset. Depreciation expense at June 30, 2005 amounted to:

Water Fund	\$ 101,941
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Note 4 - Long-Term Debt

A summary of changes in long-term debt is as follows:

<u>Governmental Activities:</u>				
Compensatory time	\$ 6,886	\$ -	\$ 241	\$ 6,645
Recreation Center				
Improvement Bonds	4,150,000	-	250,000	3,900,000
Street Improvement Bonds	2,500,000	-	150,000	2,350,000
Street Improvement Bonds	3,425,000	-	100,000	3,325,000
George W. Kuhn Drain				
Bonds 2000-A	515,683	-	23,020	492,663
George W. Kuhn Drain				
Bonds 2000-B	193,244	-	7,047	186,197
George W. Kuhn Drain				
Bonds 2002-C	2,574,502	-	100,850	2,473,652
George W. Kuhn Drain				
Bonds 2002-D	99,284	-	-	99,284
George W. Kuhn Drain				
Bonds 2002-E	309,129	-	10,962	298,167
Recreation Center				
Installment Loan	123,994	-	67,366	56,628
Bus Installment Loan	<u>-</u>	<u>86,962</u>	<u>12,209</u>	<u>74,753</u>
Total Governmental Activities	13,897,722	86,962	721,695	13,262,989
<u>Business-Type Activities:</u>				
Vactor Installment Loan	55,812	-	27,910	27,902
Vactor Building Installment Loan	<u>-</u>	<u>196,500</u>	<u>8,975</u>	<u>187,525</u>
Total Business-Type Activities	<u>55,812</u>	<u>196,500</u>	<u>36,885</u>	<u>215,427</u>
Total	<u>\$ 13,953,534</u>	<u>\$ 283,462</u>	<u>\$ 758,580</u>	<u>\$ 13,478,416</u>

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 4 - Long-Term Debt, continued

At June 30, 2005, long-term obligations consisted of:

Governmental Activities:

Compensatory time - Public Safety	\$ 6,645
Recreation Center Improvement Bonds dated July 1, 1998; annual principal payments of \$165,000 to \$550,000, due serially to October 1, 2014; interest rates 4% to 6% (original issue totaled \$4,915,000)	3,900,000
Street Improvement Bonds dated April 1, 1999; annual principal payments of \$150,000 to \$300,000, due serially to October 1, 2014; interest rates 4% to 6% (original issue totaled \$3,500,000)	2,350,000
Street Improvement Bonds dated April 1, 2001; annual principal payments of \$75,000 to \$500,000, due beginning October 2003 serially to October 1, 2015; interest rates 4% to 4.5% (original issue totaled \$3,500,000)	3,325,000
George W. Kuhn Drain Bonds 2000-A dated April 1, 2001; annual principal payments of \$21,000 to \$36,000, due beginning April 2003 serially to April 1, 2022; interest rate at 2.5% (original issue totaled \$560,001). These represent the City's portion of the total bonds issued by Oakland County	492,663
George W. Kuhn Drain Bonds 2000-B dated April 1, 2001; annual principal payments of \$6,200 to \$15,500, due beginning April 2003 serially to April 1, 2022; interest rate at 2.5% (original issue totaled \$205,772). These represent the City's portion of the total bonds issued by Oakland County	186,197
George W. Kuhn Drain Bonds 2002-C dated April 1, 2002; annual principal payments of \$100,850 to \$161,142, due beginning April 2005 serially to April 1, 2024; interest rate at 2.5% (original issue totaled \$2,574,502). These represent the City's portion of the total bonds issued by Oakland County	2,473,652
Total this page	\$ 12,734,157

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 4 - Long-Term Debt, continued

Governmental Activities - Continued:

Total - from previous page	\$ 12,734,157
George W. Kuhn Drain Bonds 2002-D dated April 1, 2002; annual principal payments of \$3,915 to \$6,264, due beginning April 2005 serially to April 1, 2024; interest rate at 2.5% (original issue totaled \$99,284). These represent the City's portion of the total bonds issued by Oakland County	99,284
George W. Kuhn Drain Bonds 2002-E dated April 1, 2002; annual principal payments of \$10,962 to \$22,551, due beginning April 2005 serially to April 1, 2024; interest rate of 4% to 5.25% (original issue totaled \$309,129). These represent the City's portion of the total bonds issued by Oakland County	298,167
Recreation Center Installment Loan dated October 1, 2000; semi-annual principal payments of \$33,683, due April and October to April 1, 2006; interest rate at 5.45% (original issue totaled \$393,458)	56,628
Bus Installment Loan dated August 26, 2004; semi-annual principal and interest payments of \$6,896, due April and October to April 1, 2011; interest rate at 3.21%	74,753

Business-Type Activities:

Vactor Installment Loan dated March 5, 2001; semi-annual principal payments of \$13,955, due March and September to March 2006; interest rate at 5.45%	27,902
Vactor Building Installment Loan dated November 10, 2004; semi-annual principal and interest payments of \$11,680, due April and October to October 1, 2014; interest rate at 3.49%	<u>187,525</u>
Total long-term debt	<u>\$ 13,478,416</u>

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 4 - Long-Term Debt, continued

The following is a summary of annual debt service requirements to maturity for the above bonds, followed by the detailed bond payments:

Governmental Activities					
	Principal	Interest	Total		
2006	\$ 673,927	\$ 495,394	\$ 1,169,321		
2007	752,842	463,168	1,216,010		
2008	806,914	429,629	1,236,543		
2009	936,141	395,289	1,331,430		
2010	990,370	358,245	1,348,615		
2011-2015	6,597,630	1,095,218	7,692,848		
2016-2020	1,531,367	222,900	1,754,267		
2021-2025	835,772	58,054	893,826		
	<u>\$ 13,124,963</u>	<u>\$ 3,517,897</u>	<u>\$ 16,642,860</u>		

Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Principal Payments	Interest Payable
Recreation Center Improvement Bonds					
7/1/98	\$ 4,915,000	6.00%	10/1/05	\$ 250,000	\$ 161,600
		6.00	10/1/06	300,000	145,100
		4.70	10/1/07	300,000	129,050
		4.00	10/1/08	350,000	115,000
		4.00	10/1/09	350,000	101,000
		4.00	10/1/10	400,000	86,000
		4.00	10/1/11	450,000	69,000
		4.00	10/1/12	450,000	51,000
		4.00	10/1/13	500,000	32,000
		4.00	10/1/14	<u>550,000</u>	<u>11,000</u>
				<u>\$ 3,900,000</u>	<u>\$ 900,750</u>

Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Principal Payments	Interest Payable
Street Improvement Bonds					
4/1/99	\$ 3,500,000	4.00%	10/1/05	\$ 150,000	\$ 91,000
		4.00	10/1/06	150,000	85,000
		4.00	10/1/07	200,000	78,000
		4.00	10/1/08	225,000	69,500
		4.00	10/1/09	225,000	60,500
		4.00	10/1/10	250,000	51,000
		4.00	10/1/11	250,000	41,000
		4.00	10/1/12	300,000	30,000
		4.00	10/1/13	300,000	18,000
		4.00	10/1/14	<u>300,000</u>	<u>6,000</u>
				<u>\$ 2,350,000</u>	<u>\$ 530,000</u>

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 4 - Long-Term Debt, continued

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payments</u>	<u>Interest Payable</u>
Street Improvement Bonds					
4/1/01	\$ 3,500,000	4.125%	10/1/05	\$ 125,000	\$ 141,866
		4.125	10/1/06	150,000	136,194
		4.250	10/1/07	150,000	129,913
		4.250	10/1/08	200,000	122,475
		4.250	10/1/09	250,000	112,913
		4.250	10/1/10	300,000	101,225
		4.250	10/1/11	300,000	88,475
		4.350	10/1/12	350,000	74,488
		4.500	10/1/13	500,000	55,625
		4.500	10/1/14	500,000	33,125
		4.375	10/1/15	500,000	10,938
				<u>\$ 3,325,000</u>	<u>\$ 1,007,237</u>
<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payments</u>	<u>Interest Payable</u>
George W. Kuhn Drain Bonds 2000-A					
4/1/01	\$ 560,001	2.5%	4/1/2006	\$ 23,647	\$ 12,316
		2.5	4/1/2007	24,273	11,726
		2.5	4/1/2008	24,743	11,118
		2.5	4/1/2009	25,369	10,500
		2.5	4/1/2010	25,996	9,866
		2.5	4/1/2011	26,779	9,216
		2.5	4/1/2012	27,405	8,546
		2.5	4/1/2013	28,031	7,862
		2.5	4/1/2014	28,814	7,160
		2.5	4/1/2015	29,441	6,440
		2.5	4/1/2016	30,224	5,704
		2.5	4/1/2017	31,007	4,948
		2.5	4/1/2018	31,790	4,174
		2.5	4/1/2019	32,573	3,378
		2.5	4/1/2020	33,356	2,564
		2.5	4/1/2021	34,139	1,730
		2.5	4/1/2022	35,076	876
				<u>\$ 492,663</u>	<u>\$ 118,124</u>

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 4 - Long-Term Debt, continued

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payments</u>	<u>Interest Payable</u>
George W. Kuhn Drain Bonds 2000-B					
4/1/01	\$ 205,772	4.7500%	4/1/2006	\$ 7,047	\$ 9,636
		4.7500	4/1/2007	7,830	9,302
		5.0000	4/1/2008	7,830	8,930
		5.0000	4/1/2009	8,613	8,538
		5.0000	4/1/2010	8,613	8,106
		5.0000	4/1/2011	9,396	7,676
		5.0000	4/1/2012	9,396	7,206
		5.0000	4/1/2013	10,179	6,736
		5.1000	4/1/2014	10,962	6,228
		5.2000	4/1/2015	10,962	5,668
		5.2500	4/1/2016	11,745	5,098
		5.3000	4/1/2017	12,528	4,482
		5.3500	4/1/2018	13,311	3,818
		5.3750	4/1/2019	13,311	3,106
		5.3750	4/1/2020	14,094	2,390
		5.3750	4/1/2021	14,877	1,632
		5.3750	4/1/2022	15,503	834
				<u>\$ 186,197</u>	<u>\$ 99,386</u>

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payments</u>	<u>Interest Payable</u>
George W. Kuhn Drain Bonds 2002-C					
4/1/02	\$ 2,574,502	2.5%	4/1/2006	\$ 103,356	\$ 61,840
		2.5	4/1/2007	105,862	59,258
		2.5	4/1/2008	108,524	56,610
		2.5	4/1/2009	111,186	53,898
		2.5	4/1/2010	114,005	51,118
		2.5	4/1/2011	116,824	48,268
		2.5	4/1/2012	119,799	45,348
		2.5	4/1/2013	122,774	42,352
		2.5	4/1/2014	125,906	39,284
		2.5	4/1/2015	129,038	36,136
		2.5	4/1/2016	132,327	32,910
		2.5	4/1/2017	135,615	29,602
		2.5	4/1/2018	138,904	26,210
		2.5	4/1/2019	142,349	22,738
		2.5	4/1/2020	145,951	19,180
		2.5	4/1/2021	149,553	15,530
		2.5	4/1/2022	153,311	11,792
		2.5	4/1/2023	157,226	7,960
		2.5	4/1/2024	161,142	4,028
				<u>\$ 2,473,652</u>	<u>\$ 664,062</u>

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 4 - Long-Term Debt, continued

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payments</u>	<u>Interest Payable</u>
George W. Kuhn Drain Bonds 2002-D					
4/1/02	\$ 99,284	2.5%	4/1/2006	\$ 3,915	\$ 2,482
		2.5	4/1/2007	3,915	2,384
		2.5	4/1/2008	4,072	2,286
		2.5	4/1/2009	4,228	2,184
		2.5	4/1/2010	4,228	2,078
		2.5	4/1/2011	4,385	1,974
		2.5	4/1/2012	4,541	1,864
		2.5	4/1/2013	4,541	1,750
		2.5	4/1/2014	4,698	1,636
		2.5	4/1/2015	4,855	1,520
		2.5	4/1/2016	5,011	1,398
		2.5	4/1/2017	5,168	1,272
		2.5	4/1/2018	5,168	1,144
		2.5	4/1/2019	5,324	1,014
		2.5	4/1/2020	5,481	880
		2.5	4/1/2021	5,638	744
		2.5	4/1/2022	5,794	602
		2.5	4/1/2023	5,951	458
		2.5	4/1/2024	6,107	310
		2.5	4/1/2025	6,264	156
				<u>\$ 99,284</u>	<u>\$ 28,136</u>

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payments</u>	<u>Interest Payable</u>
George W. Kuhn Drain Bonds 2002-E					
4/1/02	\$ 309,129	4.10%	4/1/2006	\$ 10,962	\$ 14,654
		4.40	4/1/2007	10,962	14,204
		4.50	4/1/2008	11,745	13,722
		4.50	4/1/2009	11,745	13,194
		4.50	4/1/2010	12,528	12,664
		4.50	4/1/2011	12,528	12,100
		4.60	4/1/2012	13,311	11,538
		4.70	4/1/2013	14,094	10,924
		4.80	4/1/2014	14,094	10,262
		4.90	4/1/2015	14,877	9,586
		5.00	4/1/2016	15,660	8,856
		5.10	4/1/2017	16,443	8,074
		5.10	4/1/2018	17,226	7,236
		5.15	4/1/2019	18,009	6,356
		5.20	4/1/2020	18,792	5,430
		5.20	4/1/2021	19,575	4,452
		5.20	4/1/2022	21,141	3,434
		5.25	4/1/2023	21,924	2,334
		5.25	4/1/2024	22,551	1,182
				<u>\$ 298,167</u>	<u>\$ 170,202</u>

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 5 - Defined Benefit Pension Plan

Plan Description

The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers virtually all of the full-time employees of the City. The MERS provides retirement, death and disability benefits to employees that were employed by the City prior to July 1, 1998. Public Act 220 of 1996 assigns the authority to establish and amend the benefit provisions of the MERS plan document. The MERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the MERS at 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (989) 322-5103.

Funding Policy

The City is required to contribute at an actuarial determined rate: the current rate is between 0.00% and 39.63% of covered payroll for individual employee groups. A retirement contribution rate of 5% of payroll is required by all full time employees and has been negotiated into all union employee contracts with the exception of the Public Safety Officers (PSO) union, which began contributions on July 1, 2002. The current contribution rate is 4% for this group and will increase to 5% on July 1, 2005. The rates are established by the City through collective bargaining and may be changed or amended by the MERS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, the City's annual pension cost of \$476,580 was equal to the required and actual contribution. The annual required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age normal actuarial cost method. Significant actuarial assumptions used included: (a) an 8.0% investment rate of return, (b) projected salary increases of 4.50%, plus a percentage based upon an age related scale to reflect merit, longevity and promotional salary increases of between 0.00% and 4.16%, and (c) the assumption that benefits will not increase after retirement.

The actuarial value of assets is determined on the basis of a method that calculates expected income at the valuation rate of return and adds a portion of the difference between the expected investment income and the actual investment income earned on a market value basis. The difference in investment income between expected return and market return is recognized over a 5-year period at a rate of 20% a year. This asset valuation method was first adopted for the December 31, 2003 valuation and is applied in the present valuation period.

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 5 - Defined Benefit Pension Plan, continued

Five Year Trend Information for MERS

<u>Fiscal Year Ended</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Unfunded Annual Contribution</u>
6/30/01	\$ 303,857	100%	\$ -
6/30/02	309,867	100%	-
6/30/03	366,024	100%	-
6/30/04	462,108	100%	-
6/30/05	476,850	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liabilities (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c)</u>
12-31-00	\$10,417,826	\$13,320,052	\$2,902,226	78%	\$2,216,108	131%
12-31-01	10,893,582	15,446,029	4,552,447	71%	1,916,348	238%
12-31-02	10,562,124	16,352,580	5,790,456	65%	1,859,165	311%
12-31-03	10,662,961	16,858,593	6,195,632	63%	2,008,652	308%
12-31-04	10,742,562	17,215,559	6,472,997	62%	1,993,108	325%

Note 6 - Defined Contribution Plan

The City offers a defined contribution plan where the contribution rate for the City is between 6% and 8% of gross payroll. This contribution rate is established by contractual agreement and Commission resolution, and may be changed from time-to-time. Under the terms of the plan the employee may contribute to the plan on a voluntary basis. The decision to contribute on the part of the employee may effect the contribution provided by the City. Plan documentation and regulations have been filed with the MERS Board of Trustees and the International City Management Association (ICMA) which administers the plan. The City's annual employer contribution amounted to \$93,525 for the fiscal year ended June 30, 2005.

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 7 - Changes in General Fund Reserves and Net Assets/Fund Balance

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Designated				
Cable television	\$ 71,794	\$ -	\$ 71,794	\$ -
Library gift	14,026	-	14,026	-
Property tax refund reserve	<u>91,262</u>	<u>103,368</u>	<u>91,262</u>	<u>103,368</u>
Total designated	177,082	103,368	177,082	103,368
Undesignated	<u>612,390</u>	<u>146,200</u>	<u>219,441</u>	<u>539,149</u>
Totals	<u>\$ 789,472</u>	<u>\$ 249,568</u>	<u>\$ 396,523</u>	<u>\$ 642,517</u>

Note 8 - Capital Planning Fund Reserves

The Capital Planning Fund has reserved fund balances as follows:

Reserved Parks and Recreation	\$ 100,165
Reserved Interstate 696	31,350

The City operates thirteen acres of park land to which no revenues are received. \$100,165 has been reserved for projects relating to the parks and recreation master plan.

Contract documents with the State of Michigan indicate the entire maintenance of the perimeter wall and berm area of Interstate 696 are the City's responsibility to maintain, therefore, the City has reserved \$31,350 for maintenance of this area.

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 9 - Interfund Operating Transfers

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 133,187	\$ 1,056,644
Major Street Fund	-	25,000
Local Street Fund	165,000	-
Capital Planning Fund	146,211	-
Sanitation Fund	-	24,752
Recreation Fund	470,433	-
Capital Projects Fund	-	25,000
Water Fund	-	106,435
Retirement Benefit Fund	<u>325,000</u>	<u>2,000</u>
Total	<u>\$ 1,239,831</u>	<u>\$ 1,239,831</u>

Note 10 - Post-Retirement Benefits

The City has an obligation to cover all former full-time retired employees for hospitalization insurance and pay their premium as long as they collect a pension. The City has historically paid this obligation on a pay-as-you-go basis. This expense amounted to \$295,648 for the fiscal year ended June 30, 2005 and covers 31 retired employees. The City has reserved \$73,490 in the post-retirement benefits fund as of June 30, 2005.

Note 11 - Contingencies

The City from time-to-time is party to various claims, legal actions, and other complaints arising from its regular course of business. Typically all such matters are adequately covered under the City's risk management agreements, or if not so covered are without merit or of such kind, or involve such amounts that an unfavorable disposition would not have a material effect on the financial position of the City. The City had no outstanding claims as of June 30, 2005.

Note 12 - Federal Funding

The City received Federal funds through the Oakland County Community Development Block Grant Program. The City of Huntington Woods, Michigan received \$6,476 in grant allocations in fiscal year 2004-2005.

City of Huntington Woods, Michigan
Notes to Financial Statements, continued
June 30, 2005

Note 13 - Risk Management

The City has entered into a joint powers agreement with other Michigan units of government for its general liability, property damage insurance including auto and public officials liability, contractors equipment and workers' compensation. The City's maximum deductibles are as follows: property \$250, liability \$-0-, and property and crime \$250. Under the regulations of the state pool there is no yearly stop loss limit provided. The City does maintain a Loss Reserve Fund Balance in escrow with the Michigan Municipal Risk Management Association of \$313,641 as of June 30, 2005. The dissemination of these dollars rests with the City Commission.

The City accounts for transactions related to these risks in accordance with GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which states that a liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss that can be reasonably estimated.

No settlements have exceeded insurance coverage during the last three years. The City has made no significant reductions in insurance coverage during the year. The City has received no indication that any significant losses exist at June 30, 2005, and thus no liability has been recorded.

Required Supplemental Information

CITY OF HUNTINGTON WOODS, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance - July 1, 2004	\$ 789,472	\$ 789,472	\$ 789,472	\$ -
Resources (Inflows)				
Property taxes	3,775,089	3,775,089	3,784,868	9,779
Licenses and permits	204,300	284,300	328,879	44,579
Intergovernmental	621,526	621,526	602,392	(19,134)
Charges for services	75,000	75,000	79,883	4,883
Fines and forfeits	192,700	197,200	223,307	26,107
Interest income	80,000	80,000	59,913	(20,087)
Transfers - in	133,187	133,187	133,187	-
Other	150,400	150,400	191,347	40,947
Amounts available for appropriation	5,232,202	5,316,702	5,403,776	87,074
Charges to Appropriations (Outflows)				
General government	973,728	1,030,928	1,042,830	(11,902)
Public safety	1,592,114	1,592,114	1,598,567	(6,453)
Public works	245,425	245,425	215,427	29,998
Library	417,895	417,895	408,473	9,422
Employee benefits	1,113,690	1,158,690	1,228,790	(70,100)
Transfers - out	1,148,164	1,105,464	1,056,644	48,820
Total charges to appropriations	5,491,016	5,550,516	5,550,731	(215)
Budgetary Fund Balance - June 30, 2005	\$ 530,658	\$ 555,658	\$ 642,517	\$ 86,859

See accompanying note to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - SANITATION FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2004	\$ 120,159	\$ 120,159	\$ 120,159	\$ -
Resources (Inflows)				
Property taxes	481,558	484,058	486,118	2,060
Other	500	500	910	410
Interest income	7,500	7,500	5,763	(1,737)
Amounts available for appropriation	489,558	492,058	492,791	733
Charges to Appropriations (Outflows)				
Administrative	74,167	74,167	79,184	(5,017)
Employee benefits	20,330	20,330	22,348	(2,018)
Professional services	374,967	390,967	414,217	(23,250)
Transfers - out	24,752	24,752	24,752	-
Total charges to appropriations	494,216	510,216	540,501	(30,285)
Budgetary Fund Balance - June 30, 2005	<u>\$ 115,501</u>	<u>\$ 102,001</u>	<u>\$ 72,449</u>	<u>\$ (29,552)</u>

See accompanying note to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>
Budgetary Fund Balance - July 1, 2004	\$ 78,643	\$ 78,643	\$ 78,643	\$ -
Resources (Inflows)				
Property taxes	59,237	59,237	60,039	802
State sources	10,000	10,000	-	(10,000)
Aquatic Club charges	185,000	185,000	185,032	32
Program fees	728,500	796,200	808,819	12,619
Interest income	1,500	1,500	828	(672)
Transfers - in	513,133	470,433	470,433	-
Amounts available for appropriation	1,497,370	1,522,370	1,525,151	2,781
Charges to Appropriations (Outflows)				
Bus	56,702	56,702	52,811	3,891
Recreation	430,706	430,706	457,007	(26,301)
Programs	842,720	860,720	827,692	33,028
Pool	167,248	174,248	189,009	(14,761)
Total charges to appropriations	1,497,376	1,522,376	1,526,519	(4,143)
Budgetary Fund Balance - June 30, 2005	<u>\$ 78,637</u>	<u>\$ 78,637</u>	<u>\$ 77,275</u>	<u>\$ (1,362)</u>

See accompanying note to financial statements

City of Huntington Woods, Michigan
Note to Required Supplemental Information
June 30, 2005

Note 1 - Compliance and Accountability

Budgetary Information - An annual budget is adopted on a basis consistent with the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, except that fund balance appropriations and transfers are budgeted as either revenue or expenditures to balance the budget. All annual appropriations lapse at the end of each fiscal year.

The annual budget is prepared based upon the chart of accounts prescribed by the P.A. 2 of 1968 and as amended and P.A. 621 of 1978 the Uniform Budgeting and Accounting Act. The City budget, including all non-agency funds is adopted by the City Commission as required by City Charter and amended ordinances. The line-item budget is adopted by category and amended as such.

The City Manager and/or Finance Director is authorized to create new appropriation centers or activities as necessary and disclose any changes to the City Commission through monthly transmittals. Changes that will require additional appropriations from fund balance or a change in the overall appropriation as originally adopted, will require a resolution of the City Commission.

Transfers of any nature from the contingency account as set aside under the original budget adoption must be brought to the City Commission for approval.

Budgeted amounts of the revenues and expenditures presented in this document are a summarization of the budgeted amounts as originally adopted or amended by the City Commission. Individual amendments are not shown, as they were not material in relation to the original appropriations resolved by the City.

Excess expenditures over those appropriations that were adopted by the City Commission are shown and detailed in the budget compliance section (Note 1) of the basic financial statements.

Other Supplemental Information

CITY OF HUNTINGTON WOODS, MICHIGAN
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

ASSETS

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Funds			Capital Projects	Total Nonmajor Governmental Funds
	Major Street Fund	Local Street Fund	Capital Planning Fund	Debt Service Fund	Street Debt Service Fund	GWK Drain Debt Fund		
Cash and cash equivalents	\$ 29,251	\$ -	\$ -	\$ 35,543	\$ -	\$ 23,862	\$ -	\$ 88,656
Investments	169,393	81,718	215,056	66,373	106,050	187,660	146,247	972,497
Accounts receivable	58,742	35,009	-	3,789	4,515	2,050	-	104,105
Prepaid items	-	-	6,944	-	-	-	-	6,944
Total assets	<u>\$ 257,386</u>	<u>\$ 116,727</u>	<u>\$ 222,000</u>	<u>\$ 105,705</u>	<u>\$ 110,565</u>	<u>\$ 213,572</u>	<u>\$ 146,247</u>	<u>\$ 1,172,202</u>

LIABILITIES AND FUND BALANCES

Liabilities								
Accounts payable	\$ 2,648	\$ 3,635	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,283
Bank overdraft	-	59,287	113,133	-	37,850	-	89,814	300,084
Accrued payroll and withholdings	1,220	1,913	-	-	-	-	409	3,542
Total liabilities	3,868	64,835	113,133	-	37,850	-	90,223	309,909
Fund Balances								
Reserved for								
Special assessment debt	4,500	-	131,515	-	-	-	-	136,015
Unreserved								
Designated	-	-	-	-	-	-	56,024	56,024
Undesignated	249,018	51,892	(22,648)	105,705	72,715	213,572	-	670,254
Total fund balances	253,518	51,892	108,867	105,705	72,715	213,572	56,024	862,293
Total liabilities and fund balances	<u>\$ 257,386</u>	<u>\$ 116,727</u>	<u>\$ 222,000</u>	<u>\$ 105,705</u>	<u>\$ 110,565</u>	<u>\$ 213,572</u>	<u>\$ 146,247</u>	<u>\$ 1,172,202</u>

CITY OF HUNTINGTON WOODS, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Funds				Total Nonmajor Governmental Funds
	Major Street Fund	Local Street Fund	Capital Planning Fund	Debt Service Fund	Street Debt Service Fund	GWK Drain Debt Fund	Capital Projects	
Revenues								
Property taxes and special assessments	\$ -	\$ -	\$ -	\$ 447,412	\$ 490,627	\$ 230,121	\$ -	\$ 1,168,160
Intergovernmental	254,610	104,804	-	-	-	-	-	359,414
Interest	3,650	842	3,387	3,242	3,076	4,610	1,964	20,771
Other	17,930	19,429	91,553	-	-	23,789	-	152,701
Total revenues	276,190	125,075	94,940	450,654	493,703	258,520	1,964	1,701,046
Expenditures								
Current								
Maintenance	155,775	251,456	-	-	-	-	-	407,231
Traffic services	10,679	5,077	-	-	-	-	-	15,756
Snow and ice removal	35,187	23,457	-	-	-	-	-	58,644
Administrative	33,134	49,058	-	-	-	-	45,290	127,482
Capital outlay	-	-	191,901	-	-	-	-	191,901
Debt service								
Principal	-	-	67,366	250,000	250,000	141,879	-	709,245
Interest and other charges	-	-	5,840	176,950	244,056	97,197	-	524,043
Total expenditures	234,775	329,048	265,107	426,950	494,056	239,076	45,290	2,034,302
Excess of Revenues Over (Under) Expenditures	41,415	(203,973)	(170,167)	23,704	(353)	19,444	(43,326)	(333,256)
Other Financing Sources (Uses)								
Transfers - in	-	165,000	146,211	-	-	-	-	311,211
Transfers - out	(25,000)	-	-	-	-	-	(25,000)	(50,000)
Total other financing sources (uses)	(25,000)	165,000	146,211	-	-	-	(25,000)	261,211
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	16,415	(38,973)	(23,956)	23,704	(353)	19,444	(68,326)	(72,045)
Fund Balances - July 1, 2004	237,103	90,865	132,823	82,001	73,068	194,128	124,350	934,338
Fund Balances - June 30, 2005	\$ 253,518	\$ 51,892	\$ 108,867	\$ 105,705	\$ 72,715	\$ 213,572	\$ 56,024	\$ 862,293

CITY OF HUNTINGTON WOODS, MICHIGAN
COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
JUNE 30, 2005

	Equipment Fund	Retirement Benefits Fund	Health Insurance Fund	Total
Assets				
Current Assets				
Cash and certificates of deposit	\$ -	\$ 4,464	\$ 35,693	\$ 40,157
Investments - at fair value	546,413	578,192	11	1,124,616
Accounts receivable	10,253	378	-	10,631
Prepaid expenses	-	19,963	-	19,963
Due from other funds	-	50,000	-	50,000
Total current assets	556,666	652,997	35,704	1,245,367
Property, Plant and Equipment	1,906,252	-	-	1,906,252
Less accumulated depreciation	887,072	-	-	887,072
Undepreciated cost	1,019,180	-	-	1,019,180
Total assets	<u>\$ 1,575,846</u>	<u>\$ 652,997</u>	<u>\$ 35,704</u>	<u>\$ 2,264,547</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 107,611	\$ 3,007	\$ -	\$ 110,618
Bank overdraft	191,981	-	-	191,981
Due to employees	-	576,369	-	576,369
Accrued liabilities	10,860	131	-	10,991
Current portion of long-term debt	13,792	-	-	13,792
Total current liabilities	324,244	579,507	-	903,751
Noncurrent Liabilities				
Long-term debt	60,961	-	-	60,961
Total liabilities	385,205	579,507	-	964,712
Net Assets				
Invested in capital assets, net of related debt	1,019,180	-	-	1,019,180
Net Assets				
Appropriated	180,000	-	-	180,000
Unappropriated	(8,539)	73,490	35,704	100,655
Total net assets	1,190,641	73,490	35,704	1,299,835
Total liabilities and net assets	<u>\$ 1,575,846</u>	<u>\$ 652,997</u>	<u>\$ 35,704</u>	<u>\$ 2,264,547</u>

CITY OF HUNTINGTON WOODS, MICHIGAN
COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS -
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Equipment Fund</u>	<u>Retirement Benefits Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 219,188	\$ -	\$ -	\$ 219,188
Other	29	-	-	29
Total operating revenues	219,217	-	-	219,217
Operating Expenses				
Depreciation	92,304	-	-	92,304
Other	135,117	295,648	-	430,765
Total operating expenses	227,421	295,648	-	523,069
Operating loss	(8,204)	(295,648)	-	(303,852)
Nonoperating Revenues				
Interest on investments	6,911	11,684	706	19,301
Transfers - in	-	323,000	-	323,000
Total nonoperating revenues, net	6,911	334,684	706	342,301
Net income (loss)	(1,293)	39,036	706	38,449
Net Assets - July 1, 2004	<u>1,191,934</u>	<u>34,454</u>	<u>34,998</u>	<u>1,261,386</u>
Net Assets - June 30, 2005	<u>\$ 1,190,641</u>	<u>\$ 73,490</u>	<u>\$ 35,704</u>	<u>\$ 1,299,835</u>

CITY OF HUNTINGTON WOODS, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Equipment Fund</u>	<u>Retirement Benefits Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:				
Receipts from customers	\$ 219,217	\$ -	\$ -	\$ 219,217
Payments to suppliers for goods and services	(2,592)	-	-	(2,592)
Payments to employees for services	(35,436)	(362,699)	-	(398,135)
Net cash provided from (used in) operating activities	181,189	(362,699)	-	(181,510)
Cash Flows From Noncapital Financing Activities:				
Interfund transfers	-	323,000	-	323,000
Cash Flows From Capital and Related Financing Activities:				
Acquisition of property, plant and equipment	(256,855)	-	-	(256,855)
Proceeds from sale of fixed assets	4,900	-	-	4,900
Proceeds from long-term debt	86,962	-	-	86,962
Payments of long-term debt	(12,209)	-	-	(12,209)
Bank overdraft	191,981	-	-	191,981
Net cash provided from capital and related financing activities	14,779	-	-	14,779
Cash Flows From Investing Activities:				
Interest received	6,911	11,684	706	19,301
Net Increase (Decrease) in Cash and Cash Equivalents	202,879	(28,015)	706	175,570
Cash and Cash Equivalents - July 1, 2004	343,534	610,671	34,998	989,203
Cash and Cash Equivalents - June 30, 2005	<u>\$ 546,413</u>	<u>\$ 582,656</u>	<u>\$ 35,704</u>	<u>\$ 1,164,773</u>
Reconciliation of operating loss to net cash provided from (used in) operating activities:				
Operating loss	\$ (8,204)	\$ (295,648)	\$ -	\$ (303,852)
Depreciation	92,304	-	-	92,304
Loss on sale of fixed assets	10,207	-	-	10,207
Adjustments to reconcile operating loss to net cash provided from (used in) operating activities:				
Increase in accounts receivables	(10,253)	(50,378)	-	(60,631)
Increase in prepaid expenses	-	(19,963)	-	(19,963)
Increase (decrease) in accounts payable	86,743	(3,765)	-	82,978
Increase in other liabilities	10,392	7,055	-	17,447
Total adjustments	86,882	(67,051)	-	19,831
Net cash provided from (used in) operating activities	<u>\$ 181,189</u>	<u>\$ (362,699)</u>	<u>\$ -</u>	<u>\$ (181,510)</u>

CITY OF HUNTINGTON WOODS, MICHIGAN
STATEMENT OF CHANGES IN NET ASSETS - AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Assets				
Cash and cash equivalents	\$ -	\$ 799,161	\$ 712,278	\$ 86,883
Investments	-	410,000	-	410,000
Receivable	-	37,132	-	37,132
	<u>-</u>	<u>1,246,293</u>	<u>-</u>	<u>1,283,415</u>
Total assets	<u>\$ -</u>	<u>\$ 1,246,293</u>	<u>\$ 712,278</u>	<u>\$ 534,015</u>
Liabilities				
Accounts payable	\$ -	\$ 113,346	\$ 89,466	\$ 23,880
Accrued and other liabilities	-	462,167	187,758	274,409
Performance deposits	-	384,045	148,319	235,726
	<u>-</u>	<u>959,558</u>	<u>425,543</u>	<u>534,015</u>
Total liabilities	<u>\$ -</u>	<u>\$ 959,558</u>	<u>\$ 425,543</u>	<u>\$ 534,015</u>

Statistical Section

CITY OF HUNTINGTON WOODS, MICHIGAN
NET ASSETS BY COMPONENT
LAST THREE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Investment in capital assets, net of related debt	\$ 9,747,600	\$ 13,355,636	\$ 13,718,189
Restricted	136,015	136,015	136,015
Unrestricted	<u>2,555,351</u>	<u>2,171,361</u>	<u>1,792,529</u>
Total governmental activities net assets	<u>\$ 12,438,966</u>	<u>\$ 15,663,012</u>	<u>\$ 15,646,733</u>
Business-type activities			
Investment in capital assets, net of related debt	\$ 2,827,091	\$ 2,771,663	\$ 2,510,107
Unrestricted	<u>1,469,207</u>	<u>1,446,537</u>	<u>1,641,358</u>
Total business-type activities net assets	<u>\$ 4,296,298</u>	<u>\$ 4,218,200</u>	<u>\$ 4,151,465</u>
Primary government			
Investment in capital assets, net of related debt	\$ 12,574,691	\$ 16,127,299	\$ 16,228,296
Restricted	136,015	136,015	136,015
Unrestricted	<u>4,024,558</u>	<u>3,617,898</u>	<u>3,433,887</u>
Total primary government net assets	<u>\$ 16,735,264</u>	<u>\$ 19,881,212</u>	<u>\$ 19,798,198</u>

Additional years have not been provided due to the reclassification of funds required for implementation of GASB Statement No. 34 in fiscal year 2003.

CITY OF HUNTINGTON WOODS, MICHIGAN
CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities:			
General government	\$ 2,694,503	\$ 2,138,692	\$ 2,197,503
Public safety	1,481,645	1,502,117	1,598,567
Public works	350,869	229,489	217,263
Library	377,000	418,550	435,380
Maintenance	281,565	411,802	407,231
Traffic services	9,649	20,971	15,756
Snow and ice removal	56,057	54,585	58,644
Administrative	192,286	172,247	206,666
Aquatic Club	144,003	188,969	189,009
Recreation	1,091,175	1,320,142	1,365,100
Employee benefits	894,233	1,142,039	1,280,897
Professional services	382,412	396,731	414,217
Capital outlay	516,754	267,875	-
Interest on debt	-	523,336	524,043
Total governmental activities expenses	\$ 8,472,151	\$ 8,787,545	\$ 8,880,376
Business-type activities:			
Water	1,187,209	1,377,640	1,598,157
Total primary government expenses	\$ 9,659,360	\$ 10,165,185	\$ 10,478,533
Program Revenues			
Governmental activities:			
Charges for services	\$ 1,415,403	\$ 1,825,036	\$ 1,927,117
Operating grants and contributions	355,544	393,415	380,025
Capital grants and contributions	83,060	12,216	8,465
Total governmental activities program revenues	\$ 1,854,007	\$ 2,230,667	\$ 2,315,607
Business-type activities:			
Charges for services	1,528,824	1,500,798	1,611,279
Total primary government program revenues	\$ 3,382,831	\$ 3,731,465	\$ 3,927,186
Net (Expenses)/Revenue			
Governmental activities	\$ (6,618,144)	\$ (6,556,878)	\$ (6,564,469)
Business-type activities	341,615	123,158	12,822
Total primary government net expense	\$ (6,276,529)	\$ (6,433,720)	\$ (6,551,647)
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Property taxes	\$ 4,052,110	\$ 4,024,806	\$ 4,331,025
Property tax - debt service	1,055,705	1,120,667	1,168,160
State shared revenue	656,295	667,762	591,245
Investment earnings	209,972	23,710	106,576
Other	22,178	54,758	244,749
Transfers - internal activities	297,851	208,654	106,435
Total governmental activities	\$ 6,294,211	\$ 6,040,357	\$ 6,548,190
Business-type activities:			
Investment earnings	32,654	7,398	26,878
Transfers - internal activities	(297,851)	(208,654)	(106,435)
Total business-type activities	(265,197)	(201,256)	(79,557)
Total primary government	\$ 6,029,014	\$ 5,839,101	\$ 6,468,633
Change in Net Assets			
Governmental activities	\$ (323,933)	\$ (516,521)	\$ (16,279)
Business-type activities	76,418	(75,098)	(66,735)
Total primary government	\$ (247,515)	\$ (594,619)	\$ (83,014)

Additional years have not been provided due to the reclassification of funds required for implementation of GASB Statement No. 34 in fiscal year 2003.

CITY OF HUNTINGTON WOODS, MICHIGAN
FUND BALANCES, GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS

	Fiscal Year		
	2003	2004	2005
General Fund			
Unreserved	\$ 1,041,146	\$ 789,472	\$ 642,517
All Other Governmental Funds			
Reserved	136,015	136,015	136,015
Unreserved, reported in			
Special revenue funds	563,450	523,578	427,986
Capital projects funds	348,296	124,350	56,024
Debt service funds	283,634	349,197	391,992
Total other governmental funds	<u>1,331,395</u>	<u>1,133,140</u>	<u>1,012,017</u>
Total Governmental Funds	<u>\$ 2,372,541</u>	<u>\$ 1,922,612</u>	<u>\$ 1,654,534</u>

Additional years have not been provided due to the reclassification of funds required for implementation of GASB Statement No. 34 in fiscal year 2003.

CITY OF HUNTINGTON WOODS, MICHIGAN
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS

	Fiscal Year		
	2003	2004	2005
Revenues			
Property taxes and special assessments	\$ 5,043,298	\$ 5,145,473	\$ 5,499,185
Licenses and permits	170,284	223,242	328,879
Intergovernmental	1,027,792	997,471	961,806
Charges for services	72,660	70,708	79,883
Aquatic Club charges	173,394	171,600	185,032
Program fees	622,088	800,147	808,819
Fines and forfeits	147,881	162,664	223,307
Investment income	184,811	18,370	87,275
Other	202,130	253,418	344,958
Total revenues	7,644,338	7,843,093	8,519,144
Expenditures			
General government	963,871	961,281	1,042,830
Public safety	1,481,645	1,498,337	1,598,567
Public works	350,869	227,553	215,427
Library	377,000	386,490	408,473
Maintenance	281,565	411,802	407,231
Traffic services	9,649	20,971	15,756
Snow and ice removal	56,057	54,585	58,644
Administrative	192,286	172,247	206,666
Aquatic Club	144,003	188,969	189,009
Recreation	1,091,175	1,294,302	1,337,510
Employee benefits	894,233	1,139,146	1,251,138
Professional services	382,412	396,731	414,217
Capital outlay	1,400,032	346,791	191,901
Debt service			
Principal	478,188	630,535	709,245
Interest	516,754	523,336	524,043
Total expenditures	8,619,739	8,253,076	8,570,657
Excess of revenues over (under) expenditures	(975,401)	(409,983)	(51,513)
Other Financing Sources (Uses)			
Transfers - in	1,095,309	1,025,036	914,831
Transfers - out	(1,031,658)	(1,064,982)	(1,131,396)
Total other financing sources (uses)	63,651	(39,946)	(216,565)
Net changes in fund balances	<u>\$ (911,750)</u>	<u>\$ (449,929)</u>	<u>\$ (268,078)</u>
Debt service as a percentage of noncapital expenditures	6.26%	5.85%	5.79%

Additional years have not been provided due to the reclassification of funds required for implementation of GASB Statement No. 34 in fiscal year 2003.

CITY OF HUNTINGTON WOODS, MICHIGAN
TAX REVENUES BY SOURCE
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

<u>Year Ended June 30th:</u>	<u>General Property Taxes</u>	<u>Property Tax Debt Service</u>	<u>Sales and Use Tax</u>	<u>Total</u>
1996	\$ 3,155,476	\$ 407,416	\$ 663,160	\$ 4,226,052
1997	3,200,778	389,574	667,535	4,257,887
1998	3,294,556	358,929	719,960	4,373,445
1999	3,858,803	341,658	751,689	4,952,150
2000	3,631,183	587,437	765,237	4,983,857
2001	3,711,504	814,332	767,143	5,292,979
2002	3,848,658	1,001,163	751,606	5,601,427
2003	4,052,110	1,055,705	656,395	5,764,210
2004	4,024,806	1,120,667	607,762	5,753,235
2005	4,331,025	1,168,160	591,245	6,090,430
Change 1996-2005	37%	187%	-11%	44%

**CITY OF HUNTINGTON WOODS, MICHIGAN
STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year	Real Property			Personal Property			Total			Tax Rate Mills
	State Equalized Value	Taxable Value	Estimated Actual Value	State Equalized Value	Taxable Value	Estimated Actual Value	State Equalized Value	Taxable Value	Estimated Actual Value	
1996	\$ 181,976,040	\$ 175,886,680	\$ 363,952,080	\$ 2,799,700	\$ 2,780,640	\$ 5,599,400	\$ 184,775,740	\$ 178,667,320	\$ 369,551,480	19.5682
1997	198,360,960	181,765,530	396,721,920	2,886,000	2,886,000	5,772,000	201,246,960	184,651,530	402,493,920	19.3233
1998	241,851,430	188,755,220	483,702,860	2,888,050	2,888,050	5,776,100	244,739,480	191,643,270	489,478,960	19.1314
1999	244,781,840	196,613,010	489,563,680	4,021,000	4,021,000	8,042,000	248,802,840	200,634,010	497,605,680	18.8739
2000	267,855,670	205,442,557	535,711,340	4,469,500	4,469,500	8,939,000	272,325,170	209,912,057	544,650,340	19.8493
2001	291,810,164	214,678,407	583,620,328	4,955,575	4,955,575	9,911,150	296,765,739	219,633,982	593,531,478	20.4576
2002	324,103,810	227,924,127	648,207,620	5,119,540	5,119,540	10,239,080	329,223,350	233,043,667	658,446,700	20.5536
2003	356,276,783	242,508,608	712,553,566	4,740,350	4,740,350	9,480,700	361,017,133	247,248,958	722,034,266	19.6942
2004	373,847,198	253,025,287	747,694,396	4,512,570	4,512,570	9,025,140	378,359,768	257,537,857	756,719,536	19.4720
2005	391,895,348	268,148,336	783,790,696	5,154,254	5,154,254	10,308,508	397,049,602	273,302,590	794,099,204	19.2401

Source: Oakland County Assessor

The City's millage rate is limited to 23 mills for operations, reduced by Headlee to current millage rate of 19.2401.
The City levies the maximum as authorized under the Headlee tax limitation formula.

CITY OF HUNTINGTON WOODS, MICHIGAN
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$1,000 of Taxable Value)
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rate			Overlapping Rates				
	General	Debt Service	Total Direct	School Districts		Community College	Intermediate School District	
				Berkley	Royal Oak		District	County
1996: Homestead (1)	17.5682	2.0000	19.5682	10.4000	10.2000	1.6522	2.1294	5.278
1996: Non-Homestead	17.5682	2.0000	19.5682	22.4000	20.8500	1.6522	2.1294	5.278
1997: Homestead (1)	17.1733	2.1500	19.3233	10.4000	9.9500	1.6522	2.1294	5.3080
1997: Non-Homestead	17.1733	2.1500	19.3233	28.4000	27.9500	1.6522	2.1294	5.3080
1998: Homestead (1)	17.1514	1.9800	19.1314	10.4000	9.2500	1.6522	2.1294	5.1480
1998: Non-Homestead	17.1514	1.9800	19.1314	28.4000	27.2500	1.6522	2.1294	5.1480
1999: Homestead (1)	16.9939	1.8800	18.8739	10.4000	8.9000	1.6456	2.1208	5.0864
1999: Non-Homestead	16.9939	1.8800	18.8739	28.4000	26.9000	1.6456	2.1208	5.0864
2000: Homestead (1)	17.0493	2.8000	19.8493	9.8700	8.8000	1.6295	2.0998	4.9792
2000: Non-Homestead	17.0493	2.8000	19.8493	27.8700	26.8000	1.6295	2.0998	4.9792
2001: Homestead (1)	16.8076	3.6500	20.4576	9.8700	8.7700	1.6109	2.0752	4.9714
2001: Non-Homestead	16.8076	3.6500	20.4576	27.8700	26.7700	1.6109	2.0752	4.9714
2002: Homestead (1)	16.3636	4.1900	20.5536	10.3700	8.6500	1.5952	3.4526	5.0645
2002: Non-Homestead	16.3636	4.1900	20.5536	28.3700	26.5528	1.5952	3.4526	5.0645
2003: Homestead (1)	15.4240	4.2702	19.6942	10.3700	8.1500	1.6090	3.4224	5.8020
2003: Non-Homestead	15.4240	4.2702	19.6942	28.3700	25.9561	1.6090	3.4224	5.8020
2004: Homestead (1)	15.1203	4.3517	19.4720	10.3700	7.8000	1.5983	3.3991	5.7573
2004: Non-Homestead	15.1203	4.3517	19.4720	28.3700	25.6061	1.5983	3.3991	5.7573
2005: Homestead (1)	14.9697	4.2704	19.2401	11.1200	7.5000	1.5889	3.3789	6.0841
2005: Non-Homestead	14.9697	4.2704	19.2401	29.1200	25.3061	1.5889	3.3789	6.0841

Source: Oakland County Assessor

The City's millage rate is limited to 23 mills for operations, reduced by Headlee to current millage rate of 19.2401.
The City levies the maximum as authorized under the Headlee tax limitation formula.

**CITY OF HUNTINGTON WOODS, MICHIGAN
TEN LARGEST TAXPAYERS
LAST THREE FISCAL YEARS**

Taxpayer	Type of Business	2003			2004			2005		
		Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value
Detroit Edison	Utility	\$ 1,096,590	1	0.45%	\$ 1,328,914	1	0.52%	\$ 1,191,320	1	0.44%
Herman Brodsky	Property management	909,280	2	0.37%	888,850	2	0.35%	1,068,030	2	0.39%
Bank One	Commercial bank	881,930	3	0.36%	862,120	3	0.33%	842,750	3	0.31%
Kasco Equities	Property management	784,150	4	0.32%	770,880	4	0.30%	753,120	4	0.28%
Private Residence	Not applicable	550,770	5	0.22%	-	-	-	-	-	-
Private Residence	Not applicable	505,870	6	0.20%	494,500	7	0.19%	518,570	7	0.19%
Rite Aid	Retail pharmacy	501,440	7	0.20%	510,040	6	0.20%	521,400	6	0.19%
Private Residence	Not applicable	479,980	8	0.19%	-	-	-	-	-	-
Private Residence	Not applicable	455,680	9	0.18%	445,440	8	0.17%	-	-	-
Service Systems Associates	Concessionaire	446,250	10	0.18%	425,000	9	0.17%	425,000	8	0.16%
Consumers Energy	Utility	-	-	-	705,470	5	0.27%	629,260	5	0.23%
Private Residence	Not applicable	-	-	-	400,000	10	0.16%	-	-	-
Southmain Enterprises	Property management	-	-	-	-	-	-	376,530	9	0.14%
Private Residence	Not applicable	-	-	-	-	-	-	375,000	10	0.14%
Ten Largest Taxpayers		6,611,940		2.67%	6,831,214		2.66%	6,700,980		2.47%
Other Taxpayers		\$240,637,018			\$250,706,643			\$266,601,610		
Total Taxable Value		\$247,248,958			\$257,537,857			\$273,302,590		

Source: City of Huntington Woods Assessor

**CITY OF HUNTINGTON WOODS, MICHIGAN
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30th:	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Personal Property Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy
1996	\$ 3,562,892	\$ 3,540,061	99.36%	\$ 22,831	\$ 3,562,892	100.00%
1997	3,590,352	3,582,750	99.79%	7,602	3,590,352	100.00%
1998	3,653,485	3,649,786	99.90%	3,699	3,653,485	100.00%
1999	4,200,461	4,196,797	99.91%	3,664	4,200,461	100.00%
2000	4,218,620	4,204,773	99.67%	13,847	4,218,620	100.00%
2001	4,525,836	4,517,277	99.81%	8,559	4,525,836	100.00%
2002	4,849,821	4,816,407	99.31%	33,414	4,849,821	100.00%
2003	5,107,815	5,099,478	99.84%	8,337	5,107,815	100.00%
2004	5,145,473	5,140,764	99.91%	4,709	5,145,473	100.00%
2005	5,499,185	5,493,401	99.89%	5,784	5,499,185	100.00%

Source: City of Huntington Woods Assessor

CITY OF HUNTINGTON WOODS, MICHIGAN

TAX INFORMATION

Taxes Due: July 1st

Payable: City, one third (1/3) of county taxes and fifty percent (50%) of school taxes are due and payable July 1st at the office of the City Treasurer. (The remaining two-thirds of County taxes and the remaining fifty percent (50%) of school taxes are due and payable December 1st).

Penalties and Interest

for Delinquency: All City taxes paid on or before the 10th day of August shall be collected without additional charge. There shall be added to all taxes paid after the 10th day of August, one percent for each and every month that the amount remains unpaid; provided however, that if one-half of the City taxes are paid on or before the 10th day of August, the remaining one-half of the tax is due on or before the 31st day of October without additional charge, but should the latter one-half not be paid before the 31st day of October, then the taxes shall be subject to the charge of one percent per month from August 10th. County taxes are to be paid on or before the 14th day of February without additional charge. All County taxes paid after the 14th day of February shall be subject to a penalty of three percent. Commencing March 1st, taxes on real property are collected through the County Treasurer of Oakland County, who adds and retains a collection fee of four percent and in addition adds interest at the rate of one percent per month to the date of payment.

Lien on Property: Unpaid taxes, together with all charges thereon, become a continuing lien on the property assessed. The General Tax Law provides for disposition at public sale of real estate delinquent for taxes as follows:

<u>Date of Sale</u>	<u>Delinquent Tax Property to be Sold</u>
July 2004	Year 2001
July 2005	Year 2002

State Land Sale: The General Property Tax Act, Public Act 206 of 1893, as amended, requires the County Treasurer to foreclose on real property for failure to pay delinquent property taxes. One March 1st, following the year taxes went delinquent a \$175.00 fee and a \$18.00 recording fee will be added to the parcel. The interest rate on the unpaid balance increases to 1.5% per month retroactive to the previous March 1st. In February, properties that are delinquent for two years will be taken to the Circuit Court for foreclosure. Property owners have 21 days from the foreclosure judgment date to redeem the property by paying all taxes, penalties, interest and fees. After 21 days the State is granted first right of refusal to purchase property at the greater of minimum bid or fair market value. The City has second right of refusal to purchase property for a public purpose at the minimum bid price. The County may purchase property at the minimum bid price following the local unit decision not to purchase. Properties that are not purchased will be available for land sale. The land sale will be a live auction. Parcels will be sold as-is at time of auction. Minimum opening bid will be the sum of all delinquent taxes, including all interests, penalties, fees and expenses.

CITY OF HUNTINGTON WOODS, MICHIGAN
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Year Ended June 30th:	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Net Bonded Debt Per Capita
	General		GWK		Installment Loans	Installment Loans			
	Obligation Bonds		Drain Bonds						
1996	\$ 1,065,101		\$ -		\$ 250,000	\$ 117,105	\$ 1,432,206	0.86%	233
1997	738,825		-		219,023	93,140	1,050,988	0.63%	171
1998	372,550		-		186,622	249,683	808,855	0.49%	131
1999	8,436,275		-		152,745	175,066	8,764,086	5.26%	1,425
2000	8,415,000		-		117,292	139,541	8,671,833	3.11%	1,410
2001	11,500,000		765,773		473,543	125,587	12,864,903	4.62%	2,092
2002	11,050,000		3,748,688		379,732	111,632	15,290,052	5.49%	2,486
2003	10,600,000		3,720,500		191,360	83,722	14,595,582	5.24%	2,373
2004	10,075,000		3,691,842		123,994	55,812	13,946,648	5.01%	2,267
2005	9,575,000		3,549,963		131,381	215,427	13,471,771	4.84%	2,190

Source: U.S. Census Department (population). See demographic and economic statistics schedule for details.

Source: U.S. Department of Labor (per capita income). See demographic and economic statistical schedule for details.

CITY OF HUNTINGTON WOODS, MICHIGAN
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30th:	General Obligation Bonds	Less Available Debt Service Funds	Total	Percentage of Estimated Actual Value of Taxable Property	Net Bonded Debt per Capita
1996	\$ 1,065,101	\$ 54,769	\$ 1,010,332	0.27%	157
1997	738,825	72,778	666,047	0.17%	104
1998	372,550	37,183	335,367	0.07%	52
1999	8,436,275	31,132	8,405,143	1.69%	1,309
2000	8,415,000	104,790	8,310,210	1.53%	1,351
2001	11,500,000	170,037	11,329,963	1.91%	1,842
2002	11,050,000	210,849	10,839,151	1.65%	1,762
2003	10,600,000	283,634	10,316,366	1.43%	1,677
2004	10,075,000	349,197	9,725,803	1.29%	1,581
2005	9,575,000	391,992	9,183,008	1.16%	1,493

General Obligation Bonds in this table represent only those bonds serviced from property tax revenues.

Source: City of Huntington Woods Assessor (estimated actual values)

Source: U.S. Census Department (population). See demographic and economic statistics schedule for details.

**CITY OF HUNTINGTON WOODS, MICHIGAN
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2005**

Name of Governmental Unit	Bonds Outstanding	Balances on Hand	Net Debt Outstanding	Percentage Applicable to City	City's Share of Debt
City of Huntington Woods					
Direct Debt					
General Obligation Bonds	\$ 9,575,000	\$ 391,992	\$ 9,183,008	100%	\$ 9,183,008
Overlapping Debt					
Public Schools					
Berkley School District			36,355,000	31.38%	11,408,199
Royal Oak School District			30,404,000	0.04%	12,162
County			97,029,063	0.49%	475,442
Intermediate School District			10,220,000	0.49%	50,078
Oakland Community College			11,175,000	0.49%	54,758
Total Direct and Overlapping Debt					<u>\$ 21,183,647</u>

The above balances only represent general obligation debt.

CITY OF HUNTINGTON WOODS, MICHIGAN
COMPUTATION OF LEGAL DEBT MARGIN
LAST THREE FISCAL YEARS

	2003	2004	2005
Debt Limit	\$ 36,101,713	\$ 37,835,977	\$ 39,704,960
Total net debt applicable to the limit	14,322,807	13,594,826	13,086,464
Legal Debt Margin	\$ 21,778,906	\$ 24,241,151	\$ 26,618,496
Total net debt applicable to the limit as a percentage of the debt limit	39.67%	35.93%	32.96%

Additional years have not been provided due to the reclassification of funds required for implementation of GASB Statement No. 34 in fiscal year 2003.

Legal Debt Margin Calculation for Fiscal Year 2005

State Equalized Valuation	\$ 397,049,602
Legal Debt Limit (10% of State Equalized Value)	\$ 39,704,960
Amount of Debt Applicable to Limit	13,478,416
Less: Amount Available in Debt Service Fund	391,952
Net General Obligation Debt Subject to Limitation	\$ 13,086,464
Legal Debt Margin less amount available	\$ 26,618,496

State law limits the amount of city general obligation debt to 10% of state equalized value.

CITY OF HUNTINGTON WOODS, MICHIGAN
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>K-12 School Enrollment</u>	<u>Unemployment Rate</u>
1996	6,419	\$ 166,527,500	\$ 37,504	1,860	NA
1997	6,419	166,527,500	37,504	1,860	1.1%
1998	6,419	166,527,500	37,504	1,860	1.0%
1999	6,419	166,527,500	37,504	1,860	1.0%
2000	6,151	278,418,864	45,264	1,631	0.8%
2001	6,151	278,418,864	45,264	1,631	1.5%
2002	6,151	278,418,864	45,264	1,631	1.8%
2003	6,151	278,418,864	45,264	1,631	2.0%
2004	6,151	278,418,864	45,264	1,631	2.0%
2005	6,151	278,418,864	45,264	1,631	2.0%

Source: U.S. Census Department (population)

Source: U.S. Department of Labor (per capita income and unemployment rates)

Source: Southeast Michigan Council of Governments (personal income)

**CITY OF HUNTINGTON WOODS, MICHIGAN
PRINCIPAL EMPLOYERS
LAST THREE FISCAL YEARS**

<u>Employer</u>	<u>2003</u>			<u>2004</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Detroit Zoo	510	1	39.05%	515	1	39.43%	530	1	40.58%
Rackham Golf Course	50	3	3.83%	50	3	3.83%	50	3	3.83%
City of Huntington Woods	221	2	16.92%	223	2	17.08%	226	2	17.30%
Bank One (J.P. Morgan Chase)	35	5	2.68%	36	5	2.76%	38	5	2.91%
Huntington Cleaners	40	4	3.06%	45	4	3.45%	50	3	3.83%
Rite Aid Pharmacy	15	6	1.15%	15	6	1.15%	15	6	1.15%
 Largest Employers	 871		 66.69%	 884		 67.70%	 909		 69.60%
Total Employed	<u>1,306</u>			<u>1,306</u>			<u>1,306</u>		

**CITY OF HUNTINGTON WOODS, MICHIGAN
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Function	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General government	8	9	9	10	11	10	11	12	10	10
Public safety	23	17	17	18	19	19	19	20	19	19
Public works	10	10	9	10	13	13	13	13	10	9
Library	6	6	6	6	6	6	6	6	6	6
Recreation	26	27	27	27	28	31	31	28	34	33
Total	73	69	68	71	77	79	80	79	79	77

Source: City of Huntington Woods budget document

**CITY OF HUNTINGTON WOODS, MICHIGAN
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Government										
Tax bills issued	2,619	2,623	2,631	2,648	2,649	2,655	2,659	2,667	2,675	2,680
Community meetings held	16	16	16	16	16	16	16	16	16	16
Public Safety										
Physical arrests	*	*	234	303	459	277	285	391	395	215
Traffic violations	*	*	*	*	4,073	3,277	4,253	5,285	4,610	2,791
Parking violations	*	*	214	245	1,209	1,162	1,182	884	743	1,148
Emergency responses	*	*	3,787	4,069	3,505	3,282	3,126	3,583	3,585	1,970
Fire responses	*	*	107	102	96	140	90	150	145	59
Public Services										
Miles of streets plowed	25	25	25	25	25	25	25	25	25	25
Miles of streets reconstructed	*	*	*	1.00	0.50	0.50	0.07	0.39	-	-
Library										
Volumes in collection	40,571	43,883	45,866	47,608	47,665	48,408	50,103	53,770	54,680	55,000
Total volumes borrowed	51,011	54,600	57,825	54,450	49,134	50,132	50,240	51,661	49,011	55,900
Recreation										
Pool visitors	*	*	*	*	*	*	30,107	40,042	40,593	49,169
Camp participants	*	*	*	773	198	833	843	831	1,072	1,075
Class participants	*	*	*	713	854	1,009	4,360	5,889	6,129	5,447
Latchkey participants	*	*	*	227	200	193	178	158	180	177
Senior participants	161	162	156	213	415	420	478	444	584	548
Water and Sewer Utility										
Average daily consumption (units)	780	825	867	976	861	797	875	877	830	811
Water main breaks	7	20	31	22	12	6	12	19	8	3
Transportation										
Individuals transported	*	*	*	*	1,239	1,522	1,559	1,712	1,284	1,387

* Information unavailable

**CITY OF HUNTINGTON WOODS, MICHIGAN
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	5	5	5
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire vehicles	2	2	2	2	2	2	2	2	2	2
Public Services										
Number of trucks	16	16	16	18	18	18	18	18	18	18
Miles of major streets	8	8	8	8	8	8	8	8	8	8
Miles of local streets	17	17	17	17	17	17	17	17	17	17
Recreation										
Number of parks	13	13	13	13	13	13	13	13	13	13
Acreage	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
Water Utility										
Miles of water line	25	25	25	25	25	25	25	25	25	25
Wastewater Utility										
Miles of sewer line	41.09	41.09	41.09	41.09	41.09	41.09	41.09	41.09	41.09	41.09
Transportation										
Number of vehicles	3	3	3	4	4	4	4	4	4	4

CITY OF HUNTINGTON WOODS, MICHIGAN

**COMMENTS AND RECOMMENDATIONS
MEMORANDUM**

JUNE 30, 2005



October 31, 2005

Honorable Mayor and Members
of the City Commission
City of Huntington Woods, Michigan
Huntington Woods, Michigan 48070

We have recently completed an audit of the financial statements of the City of Huntington Woods, Michigan for the year ended June 30, 2005. Our audit was made primarily for the purpose of expressing our opinion on these statements and, accordingly, did not encompass a detailed review of systems, procedures and internal controls.

We would like to compliment the finance department for the excellent job that they have done this past year. We completed the audit with a minimum of adjustments and enjoyed working again with your highly professional staff. However, during our audit, we observed certain areas where we believe improvements can be effected, and we offer the enclosed comments and recommendations memorandum for your review.

The accompanying memorandum is not based upon a complete survey of all phases of operating and executive controls; it does, however, direct attention to certain areas which we believe to be especially worthy of the City Commission's consideration. We appreciate that the ultimate objective of the City Commission is to achieve maximum control at a minimum cost. We believe that consideration of the recommendations enumerated in this memorandum are compatible with that objective.

After you have reviewed our recommendations, we will be pleased to discuss the contents with you and to assist in the implementation or correction of any items set forth herein.

DOEREN MAYHEW

CURRENT YEAR RECOMMENDATIONS

I. FRAUD POLICIES AND PROCEDURES

The risk of fraud occurring within the City can be reduced by implementing a formal fraud policy. This policy should communicate to all employees the City's views on risks that the City faces due to fraud, the effect of the code of conduct, the employees responsibility to report fraud, the City's responsibility to investigate and the disciplinary actions that will be taken.

During our audit, we noted that the City follows the ethics guidelines of the International City Management Association (ICMA) and follows the Standards of Conduct for Officials and Employees of Cities Utilizing Federal Funds. It is important to impose these guidelines and Standards of Conduct to all employees within the City in order to mitigate the likelihood of fraud.

Recommendation

We recommend that the City Commission and Management continue to take an active role in creating and monitoring ethics, conflict of interest and other compliance policies and communicate the requirements of the policies to all current and new staff. We further suggest that each employee sign a waiver that they were informed of and understand the policies.

Along with the policies, the City needs to develop a way for employees to report fraud. Internal reporting channels, such as managers' and directors' open-door policies and through surveys, have been found to be effective. Hotline services have been found to perform better for anonymous tips and certain other types of suspected misconduct such as sexual harassment.

II. USE OF AUTHORIZED DEALERS AND INVESTMENT BROKERS

During our audit we noticed that the City had a small money market account (compliant with P.A. 20 of 1943 as amended) established with a Commercial Bank which was not included on the current listing of dealers and investment brokers covered by the City Investment Policy. This chartered national bank, however has done business with the City and currently holds an installment purchase agreement loan for the City under P.A. 99 of 1933.

Recommendation

We recommend that prior to investing any funds, Management ensures that the dealer or broker is properly approved by the City Commission in order to better administer what investment decisions in the City is involved with.

CURRENT YEAR RECOMMENDATIONS - Continued

III. DELINQUENT TAXES

The City of Huntington Woods currently has an agreement in place with Oakland County under the County's revolving fund program to collect delinquent real and personal property taxes. Personal property taxes, however are paid to the City when collected and are excepted from the revolving fund payment made to the City every May. The City has traditionally recorded these as a receivable, due to their relatively small amount. Technically, amounts not received within 60 days need to be recorded as deferred revenue as per GASB 33.

Recommendation

We recommend that the City review its accounts receivable balances at year-end to ensure that receivable balances not be collectable within 60 days be reclassified as a deferred revenue.